MEDIOBANCA

MEDIOBANCA
BOARD OF DIRECTORS'MEETING

Milan, 24 October 2019

MEDIOBANCA

Quarterly financial statements for three months ended 30/9/19 approved

Positive start to FY 2019-20:

Net profit up 10% to €271m, ROTE 10%

Mediobanca continues on its growth roadmap, confirming the distinctiveness and sustainability of its business model:

Focus on high-margin, specialized businesses where growth is driven by long-term structural trends, supported by substantial capital resources with one of the lowest risk profiles in Europe

3M highlights:

- **Growth in TFAs** (up 5% YoY and up 1% QoQ, to €68bn), with **€1.1bn in qualified net new money** (AUM/AUA) **in the Affluent and Private Banking segments**
- **Growth in customer loans** (up 6% YoY and up 1% QoQ, to €45bn)
- **Growth in revenues** (up 7% YoY and QoQ, to €684m), with net interest income and fees increasing (combined, up 3% YoY and QoQ, to €514m)
- **Ongoing investment in people** (headcount up 3% YoY, to 4,840 employees), **innovation and distribution** (with 35 commercial staff added at CheBanca! in 3M)
- **High operating efficiency levels**: cost/income ratio 41% (for banking activities[1] 52%), cost of risk 58 bps, asset quality aligned with best European standards
- **Net profit at best levels in last 3Y** (up 10% YoY and up 37% QoQ,[2] to €271m)
- **ROTE above 10%,[3] both at Group level and for banking activities**
- **Capital ratios, funding and liquidity all at high levels:**
  - **CET1 phase-in[4] :14.2% (up 8 bps QoQ)**
  - **Total capital phase-in: 17.4%**
  - **LCR: 160%**

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[1] I.e. Group activities minus the contribution from Assicurazioni Generali.
[2] Net profit includes pro rata non-recurring gains earned by Assicurazioni Generali on Generali Leben disposal.
[3] ROTE: Return on Tangible Equity, excluding the one-off items referred to in footnote 2 above.
[4] Internal calculation which differs from that stated in the Common Reporting (COREP) as it includes the retained earnings generated in the period (not subject to authorization pursuant to Article 26 of the CRR), which impacts on CET1 as to approx. 35 bps. Calculated by applying the CRR/CRR2 rules including Article 471 ("Danish Compromise"), which accounts for approx. 100 bps, and without full deduction of the impact of IFRS 9 adoption which amounts to approx. 17 bps.

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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 three months ended 30 September 2019, as illustrated by Chief Executive Officer Alberto NAGEL.

Consolidated results

In 1Q FY 2019-20, a quarter which has seen considerable volatility in market interest rates and spreads on sovereign debt, **the sustainability and distinctiveness of the Mediobanca Group's business model has been confirmed once again,** underpinned by our strong positioning in **specialized businesses** driven by **structural, long-term trends**. Mediobanca also stands out for its ability to grow, our ongoing **investment in people, innovation and distribution,** supported by **substantial capital resources** and strong **asset quality** which remain at the highest levels in Europe.

All asset categories delivered growth in the three months (TFAs up 5% YoY and up 1% QoQ, to over €68bn, customer loans up 6% YoY and up 1% QoQ to almost €45bn), **generating an increase in revenues** (up 7% YoY, to €684m), **net profit at the best levels in last 3Y** (up 10% YoY and up 37% QoQ, to €271m) and **profitability levels that outperform the sector average (ROTE 10%)** even with **substantial capital resources** (CET1 ratio: 14.2%). These results have been further boosted by the contribution of Assicurazioni Generali, which added approx. €136m in the three months, roughly one-third of which derived from one-off asset disposals.

For **revenues**, the various income streams performed as follows:

- **Net interest income rose by 4.4%**, from €344.1m to €359.1m, driven by Consumer Banking (up 5.2%, in line with the rise in net new loans) and Wealth Management (up 7.3%, on higher volumes in mortgage lending plus a slight reduction in the cost of direct funding for CheBanca!), with the contribution from CIB stable;

- **Net fees were flat**, at €154.9m; the addition of Messier Maris et Associés (MMA), which contributed €10.4m, offset the slowdown in capital market business due to the lack of ECM deals and in Specialty Finance (lower extra collections from NPL portfolios); fees in Wealth Management were unchanged at €69.5m, reflecting good performances in the Affluent and Private Banking segments (CheBanca! up 15%, CMB up 22%, Mediobanca Private Banking up 12%) offsetting the slowdown reported by the product factories (RAM in particular) and the exit of Market Connect, which contributed €1.2m last year, following its disposal;

- **The equity-accounted companies' contribution**, virtually all of which is attributable to Assicurazioni Generali, **grew to €135.5m** (30/9/18: €98m), reflecting this company's results for the period ended 30 June 2019 which include one-off gains from the disposal of Generali Leben;

- **Net treasury income decreased**, from €40.8m to €34.7m: the increased contribution from Capital Market Solutions business of €27m (€17m) was more than offset by the proprietary portfolio's performance (banking and trading book), the net contribution of which reduced from €18.6m to €2.5m; the balance of the OCI reserve increased from €36.3m to €69.8m, €36.5m of which in Italian government securities.

Operating costs rose by 4.1%, from €271.4m to €282.5m, with a **cost/income ratio of 41.3%;** the increase in labour costs (which were up 4.8%) derives chiefly from the consolidation of Messier Maris et Associés (adding €6.1m) and enhancement of the commercial networks in the Private Banking, Affluent and Consumer Banking sectors; administrative expenses rose by 3.4%, due to the increase in credit recovery expenses in Consumer Banking and Specialty

Finance, and to the various IT projects. The cost/income ratio remains low even excluding the Assicurazioni Generali contribution (52%).

The cost of risk also remains at low levels (58 bps), absorbing the new, stricter definition of default without material impact. Loan loss provisions rose by 10.7% (from €58.8m to €65.1m), reflecting the increase in Consumer Banking to €65.4m (€56.9m), in line with 4Q last year. By contrast, provisioning for Specialty Finance decreased, from €6.4m to €3.4m, as it is correlated with the performance of the extra collections on NPLs. Net writebacks in Wholesale Banking were stable at €10.1m, as was the performance in the other segments.

Turning to the balance-sheet data, total assets increased in the three months, from €78.2bn to €82bn, due to the increase in customer loans, the higher liquidity position and trading activity. The main balance-sheet items performed as follows:

- **Loans and advances to customers rose** from €44.4bn to €45bn, due to good performances in Consumer Banking, of €13.4bn (€13.2bn), CheBanca! mortgage lending (up from €9bn to €9.5bn), and Private Banking (up from €2.4bn to €2.6bn, on increased business volumes from CMB); whereas customer loans remained flat in Wholesale Banking (at €15.4bn) and Specialty Finance (at €2.2bn). Gross NPLs calculated using the new definition of default[5] grew from €1,782.3m to €1,975.7m, and now represent 4.3% of total loans (up from 3.9%). Virtually all the increase is due to the effect of the one-time restatement of exposures from performing to non-performing due to the new definition of default, over 90% of which is attributable to Consumer Banking. This reclassification, however, has not impacted materially on earnings in terms of provisions being taken through profit and loss, as the exposures concerned were already covered. Similarly, net NPLs increased from €806m to €925.7m, and represent 2.1% of total loans (1.8%), with the coverage ratio decreasing from 54.8% to 53.1%. Net bad loans were stable at €80.1m, and represent 0.18% of total loans, with a coverage ratio of 80.7%. This item does not include NPLs acquired by MBCredit Solutions which decreased slightly in the three months, from €368.6m to €357m.

- **Total financial assets in Wealth Management (TFAs) rose** to €68.4bn, with a **higher weight of AUM/AUA** (up from €39bn to €39.8bn), on NNM of over €1bn from the Affluent and Private Banking distribution networks; RAM reported a €0.2bn outflow for the three months, and there were reductions in some of the less profitable components (AUC decreased from €6.5bn to €6bn, and certain MB SGR institutional mandates reduced as well), while direct funding was stable at €22.6bn;

- **Funding increased**, from €51.4bn to €52.6bn, due to higher debt security funding (up from €18.5bn to €19.3bn) following €1.8bn in new issuance which offset redemptions and buybacks totalling €1.1bn. New deals for the three months include a new €750m covered bond issue backed by CheBanca! mortgages, and three institutional placements, one of which was in USD. Deposits were stable at €22.6bn, with the slight reduction by CheBanca! (from €15bn to €14.8bn) offset by growth in Private Banking deposits (up from €7.4bn to €7.8bn) in particular for CMB;

- **Banking book bonds** (which comprise the Hold to Collect and Hold to Collect and Sell segments) remained stable, increasing from €6.7bn to €6.8bn; government securities

[5] Starting from the reports on the results as at 30 September 2019 the Mediobanca Group has applied a new definition of default, on a voluntary basis and subject to prior authorization for the AIRB segments. The new definition is fully aligned with the EBA Guidelines in this area (EBA/GL/2016/07), with the provisions of Commission Delegated Regulation (EU) 2018/171 of 19 October 2017, and of Regulation (EU) 2018/1845 of the ECB of 21 November 2018. The new regulations govern the classification of credit obligations as in default based on stricter criteria for obligations which show non-payments or are overdrawn on an ongoing basis, "past due or overdrawn", and for the mechanisms for return to a non-default status.

increased from €4.6bn to €4.8bn; €2.6bn of these were Italian government securities with a duration of just over three years;

- **Net treasury funds** rose from €5.3bn to €6bn, with a view to preserving a substantial liquidity provision in a period of high market uncertainty and partially to replace the banking book securities; as mentioned previously, the gross accounting balance (trading assets plus treasury) increased from €19.9bn to €22.5bn, due to increased trading in equities matched by derivatives with clients;

- **The capital ratios as at 30 September 2019** – calculated by applying the CRR/CRR2 rules and weighting the Assicurazioni Generali investment at 370% – bear out the levels reported at end-June 2019, despite the introduction of IFRS 16 (which accounted for -6 bps) and the higher deductions due to application of the new percentages for the transitional adjustments to IFRS 9 (-2 bps). **The Common Equity Tier 1 ratio[6] was 14.2%**, in line with the balance-sheet date, **and the Total Capital ratio remained at 17.4%. Fully-loaded, i.e. without the Danish Compromise, the ratios came in at 13.0% (CET1 ratio) and 16.4% (Total Capital ratio)**;

- **Liquidity and funding ratios remain at high levels: LCR (Liquidity Coverage Ratio) 160%.**

Divisional results

1. <u>Wealth Management:</u> improved market positioning translates to over €1bn in qualified NNM being generated from Affluent and Private Banking distribution networks; AUM/AUA up to €39.8bn (up 6% YoY and up 2% QoQ)

The Wealth Management division reported a net profit of €19.7m for the three months, 15.9% higher than the €17m reported last year, on revenues of €140.2m (up 3.5%) split equally between net interest income (up 7.3%, to €68.9m) and fees (stable at €69.5m).

Customer AUM increased to €39.8bn (up 6% YoY and up 2% QoQ), of which €11.1bn attributable to CheBanca! (up 28% YoY and up 7% QoQ), €17.5bn to Private Banking (up 6% YoY and up 4% QoQ) and €11.2bn to the product factories (down 10% YoY, and down 5% QoQ, due to MBSGR repositioning itself in more profitable institutional mandates, and to the outflows reported by RAM, reflecting the negative market trend in systematic funds).

1.1. Affluent: at the highest levels of Italian asset gatherers by NNM in AUM/AUA (inflows of €0.5bn in 3M). TFAs, revenues and net profit all growing

CheBanca! delivered strong growth in its results for the quarter:

- **Client base continues to grow**, with 875k clients (30/6/18: 865k), driven by the internet, proprietary branch network and FAs.

- **Distribution structure enhanced:** the distribution network today consists of 451 relationship managers (vs 445 at end-June 2019 and 413 at end-September 2018) and 365 FAs (vs 335

[6] Internal calculation which differs from that stated in the Common Reporting (COREP) as it includes the retained earnings generated in the period (not subject to authorization pursuant to Article 26 of the CRR), which impacts as to approx. 35 bps on CET1. "Fully-loaded" refers to full application of the CRR rules without weighting the Assicurazioni Generali investment at 370% (impact of approx. 100 bps) and applying the full effect of IFRS 9 adoption (17 bps).

at end-June 2019 and 244 at end-September 2018), working at 183 branches and POS (vs 180 at end-June 2019);

- **Offering enhanced** with the introduction of three new Mediobanca Global Multimanager funds of funds, and launch of the offer of non-life insurance products.

Activity levels remain high:

- **Total Financial Assets** ("TFAs") **reached €25.8bn,** up 1.9% on end-June 2019, with an increase of 7.1% in the AUM/AUA segments, to €11.1bn. Qualified assets (i.e. AUM/AUA) now account for 43% of TFAs, compared with 37% last year;

- **Net New Money ("NNM")** for the quarter of €0.3bn (€0.6bn in 1Q FY 2018-19 and €0.4bn in 4Q 2018-19) reflects the reconversion from deposits to AUM/AUA and a balanced contribution from all channels. In particular, €0.5bn was gathered in AUM/AUA (€0.3bn in 1Q FY 2018-19 and €0.5bn in 4Q 2018-19); while there was an outflow of €0.3bn in direct funding (inflow of €0.3bn in 1Q FY 2018-19, and an outflow of €0.1bn in 4Q 2018-19), with a reduction in the most expensive components: the average cost of funding was 10 bps lower in absolute terms than last year;

- **Mortgage loans climbed in the three months, from €9bn to €9.5bn,** on new mortgage loans of €0.6bn (up 47.2% on 1Q last year). Asset quality remained at excellent levels. Gross NPLs, taking into account the marginal impact of the new definition of default, rose slightly, from €178m to €184.7m, accounting for 1.9% of total loans, basically unchanged. Net NPLs were also more or less stable, increasing from €102.5m to €105.1m, and accounting for 1.1% of net total loans, with a coverage ratio of 43.1% higher than the 42.4% at the balance-sheet date. Net bad debts remained at end-June levels, up from €39.9m to €41.3m, and account for 0.4% of total net loans, with the coverage ratio increasing from 56.9% to 57.4%. The sale of the bad debts originated by the former Micos Banca, restated in accordance with IFRS 5 last year, was completed in July 2019.

CheBanca! earned a net profit of €8.5m in the three months, up 34.9%. Revenues climbed 7.1%, from €72m to €77.1m, due in particular to fee income which continues to grow significantly (up 14.9%, from €19.4m to €22.3m), with a positive contribution from net interest income, up 4% (from €52.5m to €54.6m).

Operating costs increased slightly, by 4% (from €58.1m to €60.4m), due exclusively to expansion of the distribution structure and development of the franchise (labour costs rose by 7.6%, from €26.2m to €28.2m), while administrative expenses were unchanged, at €32.2m.

Loan loss provisions were up 5% (from €4m to €4.2m), on higher lending volumes reflected in a reduced cost of risk (down from 19 bps to 18 bps).

1.2. Private Banking: AUM/AUA from networks now €17.5bn (up 6% YoY, up 4% QoQ), distinctive IB/PB combination/offering in a negative interest rate scenario with decreasing margins

MBPB and CMB stand out for their approach to clients, with an offering which is increasingly geared towards combined IB/PB solutions (private equity, private debt, club deals), distinctive in the Italian banking panorama.

Net funding raised by the Private Banking networks in the three months totalled €0.7bn, €0.5bn of which in AUM/AUA.

TFAs attributable to MBPB and CMB grew to €31.2bn (up 6% YoY and up 2% QoQ), €17.5bn of which in AUM/AUA (up 6% YoY and up 4% QoQ) and €7.8bn of which in deposits (up 36% YoY and up 6% QoQ).

At the product factories, **MBSGR refocused on more profitable products**, resulting in the closure of unprofitable institutional mandates (approx. €0.4bn), and the negative market trend in systematic funds affected the performance of RAM, which reported €0.2bn in net outflows for the three months. AUM were down 10% YoY to €11.2bn, €4.5bn of which attributable to MBSGR (down 7% YoY), €3.9bn to Cairn (up 22% YoY), and €2.8bn to RAM (down 31% YoY).

Private Banking delivered a net profit of €11.2m, up 4.7% on the €10.7m reported last year, on stable revenues with a slight saving in terms of costs.

Revenues of €63.1m reflect like-for-like growth of 4.7% (given that Spafid Connect is no longer part of the division), on higher net interest income (up 22.2%, from €11.7m to €14.3m), with treasury income and fees more or less unchanged, at €1.6m and €47.2m respectively. With regard to fees, there were good performances for the three months by MBPB and CMB (which together posted an 11% increase), whereas the product factories' contribution decreased on account of the reduction in AUM at RAM (down €3m).

Operating costs decreased by 2.1%, from €48.3m to €47.3m, due to the change in scope of Spafid; labour costs were flat at €28m (€27.6m).

2 <u>Consumer Banking</u>. Profitable, sustainable growth continues: revenues €267m (up 4%), customer loans 7% YoY, asset quality excellent

Compass once again has confirmed its role as sustainable growth driver for the Group's net interest income, maintaining high asset and profitability levels despite the strongly contracting interest rates and the increasingly competitive scenario**.**

Revenues were up 3.9%, from €257.2m to €267.3m, on 7% growth in net loans which drove a **further increase in net interest income (up 5.2%).**

Operating costs were up 3.5%, from €68m to €70.4m, and reflect the enhanced distribution network (with five new agencies opened in the three months), IT projects supporting the business, and expenses directly related to the increase in new loans and the loan stock generally. The cost/income ratio is stable at very low levels (26.3%).

Given the customary high level of provisioning, **loan loss provisions** were unaffected by the new definition of default, rising from €56.9m to €65m and reflecting a cost of risk of 197 bps which is aligned with recent quarters' levels and slightly higher than the average for last year (185 bps).

Net loans increased from €13.2bn to €13.4bn, with **new loans for the first quarter up 11.1%, from €1.7bn to €1.9bn**, concentrated in special purpose loans (up from €427m to €510m) and personal loans through the direct channel (up from €469m to €529m). Application of the new definition of default drove an increase in gross NPLs, from €737.7m to €930.5m (up 26.1%), representing 6.5% (5.2%) of total loans, due to the one-off restatement of approx. €160m in exposures previously classified as performing; similarly, net NPLs rose from €189m to €300.1m, approx. €110m of which due to the one-off effect) and relative to total net loans (from 1.4%

to 2.2%) with the coverage ratio down from 74.4% to 67.8%.[7] Net bad debts amounted to €16m (€13.7m), representing just 0.1% of total loans (unchanged) and reflecting a coverage ratio of 93.9% (94.3%). The coverage ratio for performing loans decreased from 3.02% to 2.68% as a result of the riskiest component being reclassified as non-performing.

3 Corporate & Investment Banking: positioning strengthened, including as a result of partnership with Messier Maris

Mediobanca has continued to strengthen its European-wide positioning in Corporate & Investment Banking, in a market scenario where there is strong pressure on volumes and margins. The addition of Messier Maris et Associés, which contributed €10.4m in fees, offset the reduced contribution from lending and capital markets activity during the summer quarter.

3.1 Wholesale Banking: solid results in client activities, falling trading profits; asset quality remains excellent

Wholesale Banking posted growth in fees and stable net interest income in the three months under review. The 5.3% reduction in total revenues (to €120m) was due to lower treasury income of €23.5m (€33.7m).

The growth in fees (which were up 8.3%, from €44.8m to €48.5m), reflects the addition of Messier Maris et Associés which offset the slowdown in capital market and lending activities; while the contribution from CMS client business was impressive (up 57%, from €17m to €27m).

Stable net interest income reflects the selective approach to lending in order to preserve client standing.

The increase in operating costs to €56.5m (€51.2m) is exclusively attributable to Messier Maris et Associés (€7.8m); the contribution from project activity is confined to the start of the financial year in this respect.

Net writebacks were basically unchanged at €10.1m (€10.6m); **for the ninth consecutive quarter**, the improvement in UTP positions along with collections in respect of various items comfortably exceeding the provisions set aside to cover the rest of the loan book.

Customer loans decreased from €15.6bn to €15.4bn, on new loans of €1.2bn against repayments of €1.5bn (€0.6bn of which early repayments).

Gross NPLs fell from €628.9m to €609.3m, representing 3.9% of the total loan book (4%), all concentrated in the Unlikely to Pay category which reported no new additions in the course of the three months. Net NPLs decreased from €384.4m to €383.5m, again due to the writeback effect; net NPLs represent 2.5% of total loans (unchanged), while the coverage ratio decreased from 38.9% to 37.1%. No changes have been made to the portfolio as a result of the new definition of default being introduced.

[7] On a like-for-like basis, i.e. assuming the same regulatory definition, net NPLs would have remained unchanged at 1.4% of total loans, with a higher coverage ratio of 75.1%.

3.2 Specialty Finance: slight slowdown recorded in 1Q

Specialty Finance delivered a net profit of €9m, slightly lower than the €10.3m posted last year, following a reduced contribution from MBCredit Solutions (down from €5.1m to €3.8m) with the performance of MBFACTA resilient at €5.2m.

Revenues decreased from €32.3m to €29.5m, due to lower extra collections from NPL management of €3.1m (€6.8m), offset by lower loan loss provisions (down from €6.4m to €3.4m). Net interest income continued its upward trend, increasing by 2%.

The increase in operating costs (from €10.8m to €12.8m) is mostly attributable to expense in respect of the NPL portfolios, due to more intense credit recovery action.

Customer loans decreased from €2,304.5m to €2,225.3m, with reducing contributions from factoring (down from €1,935.9m to €1,868.3m) and the NPL portfolios (from €368.6m to €357m). The latter in particular reflects a slowdown in acquisitions, in line with the market trend, with an outlay of €7.9m to acquire exposures with a nominal value of €43.7m), against disposals of minor portfolios carried at €11.3m. Gross NPLs in factoring business, including the impact of the new definition of default, were up 7%, from €41.3m to €46.1m, and represent 2.4% (2.1%) of total loans with a coverage ratio of 76.9% (75.6%); similarly, net NPLs rose to €10.7m (€10.3m).

4 Principal Investing: high contribution from Assicurazioni Generali which again demonstrates it is a profitable investment

Principal Investing delivered a net profit of €136.1m, representing a sharp increase on last year due to the increase in the contribution from Assicurazioni Generali (up from €96.9m to €135m) which was boosted by gains realized on disposals (Generali Leben). Net gains on funds for the quarter totalled €3.3m (€3.7m).

The book value of the Assicurazioni Generali investment rose from €3,219.3m to €3,498.2m, on profits of €135m and higher valuation reserves of €144m.

As for banking book securities, holdings in funds decreased from €520.4m to €514m, after net redemptions of funds totalling €11.5m and upward value adjustments of €3.3m to reflect the NAV of the respective funds; while writedowns to equities were virtually unchanged, increasing from €136.3m to €137.4m solely in order to reflect adjustments to fair value.

5 Holding functions: net interest expense stable despite negative rate scenario and abundant liquidity; overheads stable as well

The pre-tax loss incurred by the Holding Functions division reflects a slight improvement on last year at €46.4m, due to the stability of net interest expense (€16.1m) and virtually unchanged overheads (down from €38.4m to €38.2m) as a result of a decreasing contribution from central structures from €26.2m to €25.5m (representing 9% of the Group's total costs).

The loss at the net level deteriorated from €27m to €30.8m because of the tax burden being higher than last year (last year's result was also helped by some non-recurring writebacks). The various segments performed as follows:

- Group Treasury and ALM delivered a net loss of €17.7m, flat versus last year, on higher treasury management profits of €6.1m (€3.6m) and net interest expense also near last year's levels (€25.5m); the reduction in cost of funding offset the lower returns on the liquidity position against a backdrop of declining market interest rates;

- Leasing delivered a net profit of €1.1m, down slightly on last year's result (€1.4m), on revenues of €10.2m (down 6.4% and consistent with the trend in average volumes which were down 6.7%). Operating costs and loan loss provisions were basically unchanged, at respectively €5.3m and €2.2m. Leases outstanding declined from €1,951.6m to €1,908.9m, with new business for the three months virtually halved at €75m (€126m). Gross NPLs, factoring in the new definition of default, rose from €174.3m to €179.4m, and account for 9% of total loans; net NPLs increased from €111.8m to €114.6m (up 2.6%), with a coverage ratio of 36.1% (35.9%). Net bad loans totalled €22.5m (€24.1m) and represent 1.2% of total loans (unchanged), with a coverage ratio of 47.8% (46.8%).

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1. Restated consolidated profit and loss accounts

Mediobanca Group (€m)	3 mths 30/09/2018	3 mths 30/09/2019	Chg. (%)
Net interest income	344.1	359.1	4.4%
Net treasury income	40.8	34.7	-15.0%
Net fee and commission income	155.1	154.9	-0.1%
Equity-accounted companies	97.7	135.5	38.7%
Total income	**637.7**	**684.2**	**7.3%**
Labour costs	(137.9)	(144.5)	4.8%
Administrative expenses	(133.5)	(138.1)	3.4%
Operating costs	**(271.4)**	**(282.6)**	**4.1%**
Gains (losses) on disposal of equity holdings	0.0	0.0	n.m.
Loan loss provisions	(58.8)	(65.1)	10.7%
Provisions for other financial assets	4.1	3.9	-4.9%
Other income (losses)	0.0	0.2	n.m.
Profit before tax	**311.6**	**340.6**	**9.3%**
Income tax for the period	(64.4)	(67.8)	5.3%
Minority interest	(1.8)	(2.2)	22.2%
Net profit	**245.4**	**270.6**	**10.3%**

2. Quarterly profit and loss accounts

Mediobanca Group	FY 18/19				FY 19/20
(€m)	I Q 30/09/18	II Q 31/12/18	III Q 31/03/19	IV Q 30/06/19	I Q 30/09/19
Net interest income	344.1	356.5	346.4	348.6	359.1
Net treasury income	40.8	56.8	52.9	46.2	34.7
Net commission income	155.1	157.8	148.6	149.7	154.9
Equity-accounted companies	97.7	67.8	59.3	96.4	135.5
Total income	**637.7**	**638.9**	**607.2**	**640.9**	**684.2**
Labour costs	(137.9)	(144.3)	(145.4)	(154.1)	(144.5)
Administrative expenses	(133.5)	(145.9)	(145.8)	(155.0)	(138.1)
Operating costs	**(271.4)**	**(290.2)**	**(291.2)**	**(309.1)**	**(282.6)**
Gains (losses) on disposal of equity holdings	0.0	0.0	0.0	0.0	0.0
Loan loss provisions	(58.8)	(50.7)	(51.9)	(61.2)	(65.1)
Provisions for other fin. assets	4.1	(15.0)	4.9	3.9	3.9
Other income (losses)	0.0	(11.1)	(26.1)	(16.8)	0.2
Profit before tax	**311.6**	**271.9**	**242.9**	**257.7**	**340.6**
Income tax for the period	(64.4)	(65.2)	(66.3)	(60.6)	(67.8)
Minority interest	(1.8)	(1.6)	(1.1)	(0.1)	(2.2)
Net profit	**245.4**	**205.1**	**175.5**	**197.0**	**270.6**

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3. Restated balance sheet

Mediobanca Group (€m)	30/09/2018	30/06/2019	30/09/2019
Assets			
Financial assets held for trading	8.403,8	9.765,7	12.144,4
Treasury financial assets	9.579,3	10.170,2	10.359,0
Banking book securities	7.944,6	6.695,9	6.836,0
Customer loans	42.268,8	44.393,7	44.992,5
Corporate	*15.047,2*	*15.560,8*	*15.357,4*
Specialty Finance	*2.117,1*	*2.304,5*	*2.225,3*
Consumer credit	*12.571,2*	*13.223,0*	*13.399,2*
Mortgages	*8.184,3*	*9.001,9*	*9.458,5*
Private banking	*2.293,4*	*2.351,9*	*2.643,2*
Leasing	*2.055,6*	*1.951,6*	*1.908,9*
Equity investments	3.748,0	3.980,3	4.247,1
Tangible and intangible assets	1.027,5	1.187,6	1.391,1
Other assets	1.817,9	2.051,3	2.022,3
Total assets	**74.789,9**	**78.244,7**	**81.992,4**
Liabilities			
Funding	49.632,0	51.393,2	52.579,5
MB bonds	*18.556,6*	*18.531,3*	*19.302,9*
Retail deposits	*14.493,1*	*15.032,0*	*14.776,0*
Private Banking deposits	*6.260,2*	*7.417,6*	*7.799,1*
ECB	*4.331,0*	*4.322,4*	*4.317,7*
Banks and other	*5.991,1*	*6.089,9*	*6.383,8*
Treasury financial liabilities	6.562,4	6.565,6	6.497,6
Financial liabilities held for trading	6.865,8	8.027,8	10.017,0
Other liabilities	2.226,3	2.168,9	2.808,7
Provisions	232,1	190,3	186,7
Net equity	9.271,3	9.898,9	9.902,9
Minority interest	*84,5*	*89,7*	*90,7*
Profit for the period	*245,4*	*823,0*	*270,6*
Total liabilities	**74.789,9**	**78.244,7**	**81.992,4**
CET 1 capital	6.723,9	6.524,4	6.518,4
Total capital	8.499,2	8.085,6	7.997,4
RWA	47.402,1	46.309,9	45.997,7

4. Consolidated shareholders' equity

Net equity (€m)	30/09/2018	30/06/2019	30/09/2019
Share capital	443.5	443.6	443.6
Other reserves	7,951.6	7,945.1	8,330.0
Valuation reserves	546.3	597.5	768.0
- of which: Other Comprehensive Income	*84.1*	*84.6*	*108.2*
cash flow hedge	*(14.5)*	*(45.0)*	*(48.6)*
equity investments	*474.4*	*560.6*	*712.2*
Minority interest	84.5	89.7	90.7
Profit for the period	245.4	823.0	270.6
Total Group net equity	**9,271.3**	**9,898.9**	**9,902.9**

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5. Ratios (%) and per share data (€)

Mediobanca Group	30/09/2018	30/06/2019	30/09/2019
Total assets / Net equity	8.1	7.9	8.3
Loans / Funding	0.85	0.86	0.86
CET1 ratio1	14.2%	14.1%	14.2%
Total capital1	17.9%	17.5%	17.4%
S&P Rating	BBB	BBB	BBB
Fitch Rating	BBB	BBB	BBB
Moody's Rating	Baa1	Baa1	Baa1
Cost / Income	42.6	46.0	41.3
Bad Loans (sofferenze)/Loans ratio (%)	0.3	0.2	0.2
EPS	0.28	0.93	0.31
BVPS	10.2	10.6	11.1
DPS		0.47	
No. shares (m)	887.0	887.2	887.2

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

3m – September 19 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	68.9	234.8	68.7	(1.8)	(16.1)	359.1
Net treasury income	1.8	—	23.8	3.0	6.1	34.7
Net fee and commission income	69.5	32.5	57.0	—	4.0	154.9
Equity-accounted companies	—	—	—	135.5	—	135.5
Total income	**140.2**	**267.3**	**149.5**	**136.7**	**(6.0)**	**684.2**
Labour costs	(56.2)	(23.4)	(36.8)	(1.0)	(27.3)	(144.5)
Administrative expenses	(51.5)	(47.0)	(32.5)	(0.2)	(10.9)	(138.1)
Operating costs	**(107.7)**	**(70.4)**	**(69.3)**	**(1.2)**	**(38.2)**	**(282.6)**
Gains (losses) on disposal of equity holdings	—	—	—	—	—	—
Loan loss provisions	(4.2)	(65.4)	6.7	—	(2.2)	(65.1)
Provisions for other financial assets	0.6	—	0.2	3.3	(0.1)	3.9
Other income (losses)	—	—	—	—	0.1	0.2
Profit before tax	**28.9**	**131.5**	**87.1**	**138.8**	**(46.4)**	**340.6**
Income tax for the period	(8.6)	(43.5)	(29.1)	(2.7)	16.3	(67.8)
Minority interest	(0.6)	—	(0.9)	—	(0.7)	(2.2)
Net profit	**19.7**	**88.0**	**57.1**	**136.1**	**(30.8)**	**270.6**
Loans and advances to Customers	12,101.7	13,399.2	17,582.7	—	1,908.9	44,992.5
RWAs	4,682.3	12,716.9	19,669.9	5,548.2	3,380.4	45,997.7
No. of staff	1,951	1,430	634	11	814	4,840

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

3m – September 18 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	64.2	223.2	68.5	(1.8)	(15.3)	344.1
Net treasury income	1.8	—	33.7	2.6	3.9	40.8
Net fee and commission income	69.5	34.0	56.8	—	4.1	155.1
Equity-accounted companies	—	—	—	97.7	—	97.7
Total income	**135.5**	**257.2**	**159.0**	**98.5**	**(7.3)**	**637.7**
Labour costs	(53.8)	(22.8)	(33.1)	(1.0)	(27.0)	(137.9)
Administrative expenses	(52.6)	(45.2)	(28.9)	(0.2)	(11.4)	(133.5)
Operating costs	**(106.4)**	**(68.0)**	**(62.0)**	**(1.2)**	**(38.4)**	**(271.4)**
Gains (losses) on disposal of equity holdings	—	—	—	—	—	—
Loan loss provisions	(4.0)	(56.9)	4.2	—	(2.2)	(58.8)
Provisions for other financial assets	(0.1)	—	—	3.7	0.3	4.1
Other income (losses)	—	—	—	—	—	—
Profit before tax	**25.0**	**132.3**	**101.2**	**101.0**	**(47.6)**	**311.6**
Income tax for the period	(7.1)	(42.6)	(33.4)	(2.5)	21.6	(64.4)
Minority interest	(0.9)	—	—	—	(1.0)	(1.8)
Net profit	**17.0**	**89.7**	**67.8**	**98.5**	**(27.0)**	**245.4**
Loans and advances to Customers	10,477.7	12,571.2	17,164.3	—	2,055.6	42,268.8
RWAs	5,786.4	11,812.9	19,713.2	6,108.4	3,981.2	47,402.1
No. of staff	1,893	1,438	572	12	793	4,708

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7. Wealth Management

Wealth Management (€m)	3 mths 30/09/2018	3 mths 30/09/2019	Chg. (%)
Net interest income	64.2	68.9	7.3%
Net treasury income	1.8	1.8	n.m.
Net fee and commission income	69.5	69.5	0.0%
Equity-accounted companies	—	—	n.m.
Total income	**135.5**	**140.2**	**3.5%**
Labour costs	(53.8)	(56.2)	4.5%
Administrative expenses	(52.6)	(51.5)	-2.1%
Operating costs	**(106.4)**	**(107.7)**	**1.2%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(4.0)	(4.2)	5.0%
Provisions for other financial assets	(0.1)	0.6	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**25.0**	**28.9**	**15.6%**
Income tax for the period	(7.1)	(8.6)	21.1%
Minority interest	(0.9)	(0.6)	-33.3%
Net profit	**17.0**	**19.7**	**15.9%**
Loans and advances to customers	10,477.7	12,101.7	15.5%
New loans	377.4	555.5	47.2%
Total Financial Assets (TFA)	65,326.6	68,421.0	4.7%
- AUM/AUA	37,648.6	39,767.9	5.6%
- Asset under custody	7,333.1	6,048.1	-17.5%
- Deposits	20,344.9	22,605.0	11.1%
No. of staff	1,893	1,951	3.1%
RWAs	5,786.4	4,682.3	-19.1%
Cost/income ratio (%)	78.5%	76.8%	
Bad loans (sofferenze)/loans ratio (%)	0.7	0.3	

7.1 CheBanca!- Affluent/Premier

CheBanca! - Affluent/Premier (€m)	3 mths 30/09/2018	3 mths 30/09/2019	Chg. (%)
Net interest income	52.5	54.6	4.0%
Net treasury income	0.1	0.2	n.m.
Net fee and commission income	19.4	22.3	14.9%
Equity-accounted companies	—	—	n.m.
Total income	**72.0**	**77.1**	**7.1%**
Labour costs	(26.2)	(28.2)	7.6%
Administrative expenses	(31.9)	(32.2)	0.9%
Operating costs	**(58.1)**	**(60.4)**	**4.0%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(4.0)	(4.2)	5.0%
Provisions for other financial assets	(0.1)	0.5	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**9.8**	**13.0**	**32.7%**
Income tax for the period	(3.5)	(4.5)	28.6%
Minority interest	—	—	n.m.
Net profit	**6.3**	**8.5**	**34.9%**
Loans and advances to customers	8,184.3	9,458.5	15.6%
New loans	377.4	555.5	47.2%
Total Financial Assets (TFA)	23,166.0	25,845.3	11.6%
- AUM/AUA	8,672.9	11,069.3	27.6%
-Asset under custody	0.0	0.0	n.m.
- Deposits	14,493.1	14,776.0	2.0%
No. of branches	111	107	-3.6%
No. of staff	1,326	1,381	4.1%
RWAs	3,756.2	2,674.1	-28.8%
Cost/income ratio (%)	80.7%	78.3%	
Bad loans (*sofferenze*)/loans ratio (%)	0.9	0.4	

7.2 Private Banking

Private Banking (€m)	3 mths 30/09/2018	3 mths 30/09/2019	Chg. (%)
Net interest income	11.7	14.3	22.2%
Net treasury income	1.7	1.6	-5.9%
Net fee and commission income	50.1	47.2	-5.8%
Equity-accounted companies	—	—	n.m.
Total income	**63.5**	**63.1**	**-0.6%**
Labour costs	(27.6)	(28.0)	1.4%
Administrative expenses	(20.7)	(19.3)	-6.8%
Operating costs	**(48.3)**	**(47.3)**	**-2.1%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	—	—	n.m.
Provisions for other financial assets	—	0.1	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**15.2**	**15.9**	**4.6%**
Income tax for the period	(3.6)	(4.1)	13.9%
Minority interest	(0.9)	(0.6)	-33.3%
Net profit	**10.7**	**11.2**	**4.7%**
Loans and advances to customers	2,293.4	2,643.2	15.3%
Total Financial Assets (TFA)	42,160.6	42,575.7	1.0%
-AUM/AUA	28,975.7	28,698.6	-1.0%
- Asset under custody	7,333.1	6,048.1	-17.5%
-Deposits	5,851.8	7,829.0	33.8%
No. of staff	567	570	0.5%
RWA	2,030.2	2,008.2	-1.1%
Cost/income ratio (%)	76.1%	75.0%	
Bad loans (*sofferenze*)/loans ratio (%)	0.1	0.0	

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8. Consumer Banking

Consumer Banking (€m)	3 mths	3 mths	Chg. (%)
	30/09/2018	30/09/2019	
Net interest income	223.2	234.8	5.2%
Net treasury income	—	—	n.m.
Net fee and commission income	34.0	32.5	-4.4%
Equity-accounted companies	—	—	n.m.
Total income	**257.2**	**267.3**	**3.9%**
Labour costs	(22.8)	(23.4)	2.6%
Administrative expenses	(45.2)	(47.0)	4.0%
Operating costs	**(68.0)**	**(70.4)**	**3.5%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(56.9)	(65.4)	14.9%
Provisions for other financial assets	—	—	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**132.3**	**131.5**	**-0.6%**
Income tax for the period	(42.6)	(43.5)	2.1%
Minority interest	—	—	n.m.
Net profit	**89.7**	**88.0**	**-1.9%**
Loans and advances to customers	12,571.2	13,399.2	6.6%
New loans	1,672.0	1,857.4	11.1%
No. of branches	184	204	10.9%
No. of staff	1,438	1,430	-0.6%
RWAs	11,812.9	12,716.9	7.7%
Cost/income ratio (%)	26.4%	26.3%	
Bad loans (*sofferenze*)/loans ratio (%)	0.1	0.1	

9. Corporate & Investment Banking

Corporate & Investment Banking (€m)	3 mths 30/09/2018	3 mths 30/09/2019	Chg. (%)
Net interest income	68.5	68.7	0.3%
Net treasury income	33.7	23.8	-29.4%
Net fee and commission income	56.8	57.0	0.4%
Equity-accounted companies	—	—	n.m.
Total income	**159.0**	**149.5**	**-6.0%**
Labour costs	(33.1)	(36.8)	11.2%
Administrative expenses	(28.9)	(32.5)	12.5%
Operating costs	**(62.0)**	**(69.3)**	**11.8%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	4.2	6.7	59.5%
Provisions for other financial assets	—	0.2	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**101.2**	**87.1**	**-13.9%**
Income tax for the period	(33.4)	(29.1)	-12.9%
Minority interest	—	(0.9)	n.m.
Net profit	**67.8**	**57.1**	**-15.8%**
Loans and advances to customers	17,164.3	17,582.7	2.4%
No. of staff	572	634	10.8%
RWAs	19,713.2	19,669.9	-0.2%
Cost/income ratio (%)	39.0%	46.4%	
Bad loans (*sofferenze*)/loans ratio (%)	0.0	0.0	

9.1 Wholesale Banking

Wholesale banking (€m)	3 mths 30/09/2018	3 mths 30/09/2019	Chg. (%)
Net interest income	48.2	48.0	-0.4%
Net treasury income	33.7	23.5	-30.3%
Net fee and commission income	44.8	48.5	8.3%
Equity-accounted companies	—	—	n.m.
Total income	**126.7**	**120.0**	**-5.3%**
Labour costs	(29.3)	(32.8)	11.9%
Administrative expenses	(21.9)	(23.7)	8.2%
Operating costs	**(51.2)**	**(56.5)**	**10.4%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	10.6	10.1	-4.7%
Provisions for other financial assets	—	—	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**86.1**	**73.6**	**-14.5%**
Income tax for the period	(28.6)	(24.6)	-14.0%
Minority interest	—	(0.9)	n.m.
Net profit	**57.5**	**48.1**	**-16.3%**
Loans and advances to customers	15,047.2	15,357.4	2.1%
No. of staff	333	376	12.9%
RWAs	17,575.2	17,390.6	-1.1%
Cost/income ratio (%)	40.4%	47.1%	
Bad loans (*sofferenze*)/loans ratio (%)	0.0	0.0	

9.2 Specialty Finance

Specialty Finance (€m)	3 mths 30/09/2018	3 mths 30/09/2019	Chg. (%)
Net interest income	20.3	20.7	2.0%
Net treasury income	—	0.3	n.m.
Net fee and commission income	12.0	8.5	-29.2%
Equity-accounted companies	—	—	n.m.
Total income	**32.3**	**29.5**	**-8.7%**
Labour costs	(3.8)	(4.0)	5.3%
Administrative expenses	(7.0)	(8.8)	25.7%
Operating costs	**(10.8)**	**(12.8)**	**18.5%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(6.4)	(3.4)	-46.9%
Provisions for other financial assets	—	0.2	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**15.1**	**13.5**	**-10.6%**
Income tax for the period	(4.8)	(4.5)	-6.3%
Minority interest	—	—	n.m.
Net profit	**10.3**	**9.0**	**-12.6%**
Loans and advances to customers	2,117.1	2,225.3	5.1%
Of which factoring	*1,795.8*	*1,867.7*	4.0%
Of which credit management	*321.3*	*357.6*	11.3%
No. of staff	239	258	7.9%
RWAs	2,138.0	2,279.3	6.6%
Cost/income ratio (%)	33.4%	43.4%	
Bad loans (*sofferenze*)/loans ratio (%)	0.0	0.0	

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10. Principal Investing

PI (€m)	3 mths 30/09/2018	3 mths 30/09/2019	Chg. (%)
Net interest income	(1.8)	(1.8)	n.m.
Net treasury income	2.6	3.0	15.4%
Net fee and commission income	—	—	n.m.
Equity-accounted companies	97.7	135.5	38.7%
Total income	**98.5**	**136.7**	**38.8%**
Labour costs	(1.0)	(1.0)	n.m.
Administrative expenses	(0.2)	(0.2)	n.m.
Operating costs	**(1.2)**	**(1.2)**	n.m.
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	—	—	n.m.
Provisions for other financial assets	3.7	3.3	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**101.0**	**138.8**	**37.4%**
Income tax for the period	(2.5)	(2.7)	8.0%
Minority interest	—	—	n.m.
Net profit	**98.5**	**136.1**	**38.2%**
Equity investments	3,103.4	3,539.2	14.0%
Other investments	593.1	651.4	9.8%
RWA	6,108.4	5,548.2	-9.2%

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11. Holding Functions

Holding Functions (€m)	3 mths	3 mths	Chg. (%)
	30/09/2018	30/09/2019	
Net interest income	(15.3)	(16.1)	5.2%
Net treasury income	3.9	6.1	56.4%
Net fee and commission income	4.1	4.0	-2.4%
Equity-accounted companies	—	—	n.m.
Total income	**(7.3)**	**(6.0)**	**-17.8%**
Labour costs	(27.0)	(27.3)	1.1%
Administrative expenses	(11.4)	(10.9)	-4.4%
Operating costs	**(38.4)**	**(38.2)**	**-0.5%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(2.2)	(2.2)	n.m.
Provisions for other financial assets	0.3	(0.1)	n.m.
Other income (losses)	—	0.1	n.m.
Profit before tax	**(47.6)**	**(46.4)**	**-2.5%**
Income tax for the period	21.6	16.3	-24.5%
Minority interest	(1.0)	(0.7)	-30.0%
Net profit	**(27.0)**	**(30.8)**	**14.1%**
Loans and advances to customers	2,055.6	1,908.9	-7.1%
Banking book securities	6,727.3	5,654.7	-15.9%
RWA	3,981.2	3,380.4	-15.1%
No. of staff	793	814	2.6%

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12. Statement of comprehensive income

		12 mths	3 mths
		30/06/2019	30/09/2019
10.	**Gain (loss) for the period**	**826.2**	**271.4**
	Other income items net of tax without passing through profit and loss	**(11.9)**	**(16.2)**
20.	Equity instruments designated at fair value through other comprehensive income	10.9	1.0
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	—	—
40.	Hedge accounting of equity instruments designated at fair value through other comprehensive income	—	—
50.	Property. plant and equipment	—	—
60.	Intangible assets	—	—
70.	Defined-benefit plans	(1.1)	(0.7)
80.	Non-current assets and disposal groups classified as held for sale	—	—
90.	Portion of valuation reserves from investments valued at equity method	(21.7)	(16.5)
	Other income items net of tax passing through profit and loss	**(133.3)**	**186.8**
100.	Foreign investment hedges	(3.8)	—
110.	Exchange rate differences	3.7	3.4
120.	Cash flow hedges	(28.6)	(7.3)
130.	Hedging instruments (non-designated items)	—	—
140.	Financial assets (different from equity instruments) at fair value through other comprehensive Income [1]	(23.2)	22.6
150.	Non-current assets and disposal groups classified as held for sale	—	—
160.	Part of valuation reserves from investments valued at equity method	(81.4)	168.1
170.	**Total other income items net of tax**	**(145.2)**	**170.6**
180.	**Comprehensive income (Item 10+170)**	**681.0**	**442.0**
190.	Minority interest in consolidated comprehensive income	3.3	0.9
200.	**Consolidated comprehensive income attributable to Mediobanca S.p.A.**	**677.7**	**441.1**

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

Head of Company Financial Reporting

Emanuele Flappini