



**Bank of America Merrill Lynch  
20th Annual Financials CEO Conference**

*“Shaping a business fit for the post-crisis era”*



MEDIOBANCA

London, 29 September 2015

# Shaping a business fit for the post crisis era

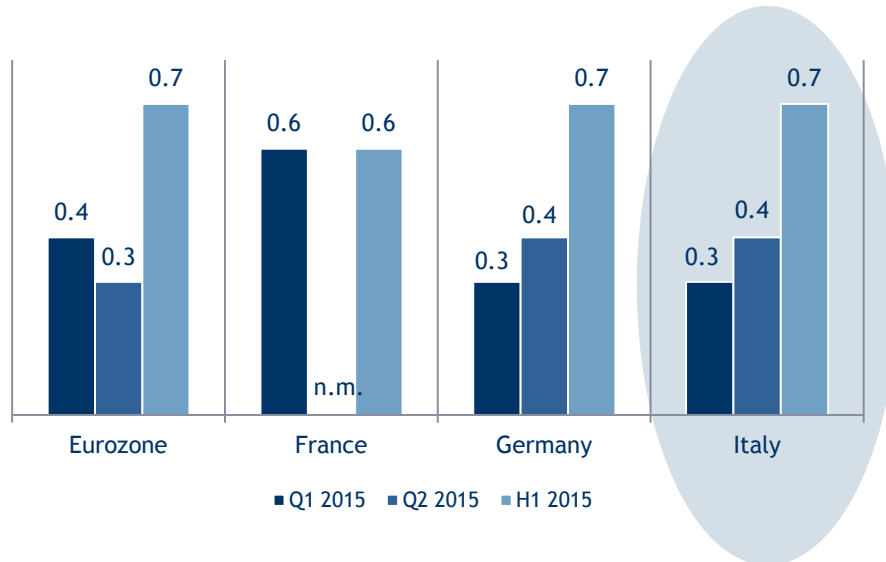
Is Italy on a recovery path?

Mediobanca successfully  
delivering on 2014/16 business plan

Which opportunities  
for Mediobanca  
in the post crisis era?

# Italy on a recovery path...

## Selected Eurozone countries (nominal GDP % change vs on previous period<sup>1</sup>)



## Italian GDP projections (nominal GDP % change vs on previous period)

Annual % chg.	Italian real GDP		Italian CPI	
	2015	2016	2015	2016
IMF	0.7	1.2	0.2	0.9
OECD	0.7	1.3	0.2	1.3
EU Commission	0.6	1.4	0.2	1.8
Bank of Italy	0.7	1.5	0.2	1.1
IT Treasury	0.9	1.6	0.3	1.0
Bloomberg consensus	0.7	1.2	0.2	1.0

- ◆ Italian GDP increase aligned to those of main European partners in H1 2015. Reassuring signs of recovery to be consolidated
- ◆ Positive driving factors: Euro weakness, loose credit conditions, rise in households' consumption, strengthening of world trade growth, low oil prices
- ◆ Ongoing Italian structural reforms aimed at increasing overall competitiveness of Italian system and growth

<sup>1</sup>Mediobanca Research Dept. elaborations on ISTAT figures.

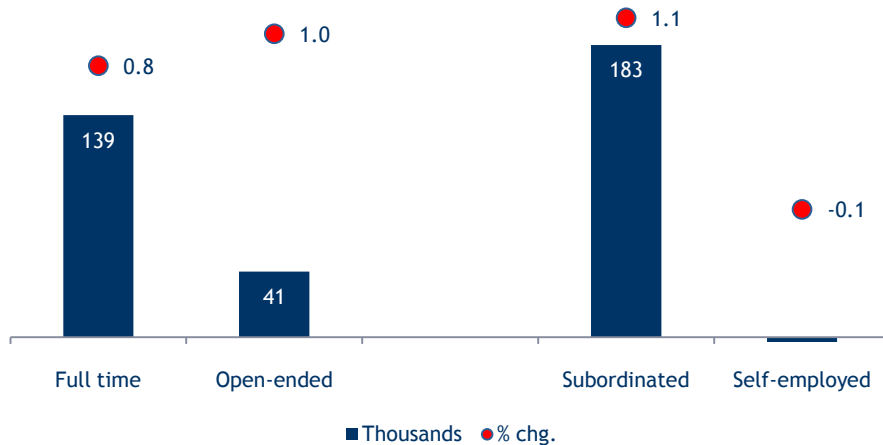
# ...both for households...

- ◆ Household's and companies' confidence index near to highest levels seen since 2013
- ◆ Employment up for fifth consecutive quarter
- ◆ Debt at some 60% of disposable income, far lower than main EU countries

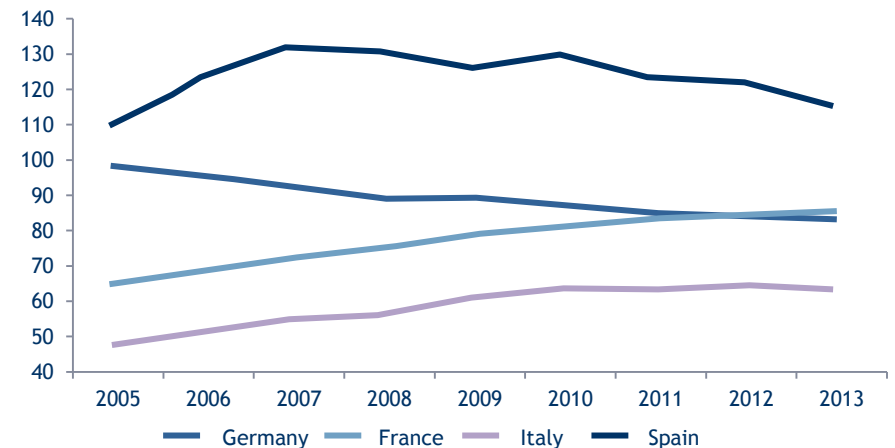
**Households' and companies' confidence index (Jan. 2009-Aug. 2015)**



**Employment % chg. (Q2 2015 vs Q2 2014)**



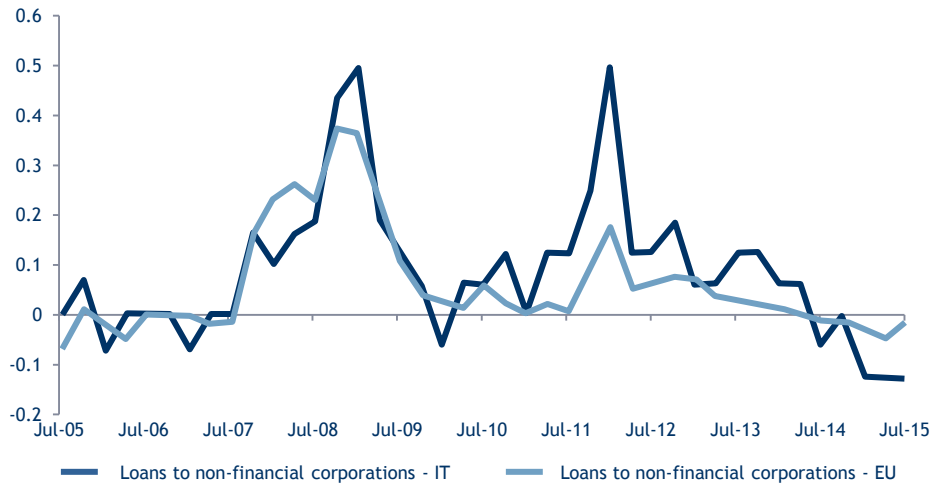
**Households' debt as % of disposable income (2005-2013)**



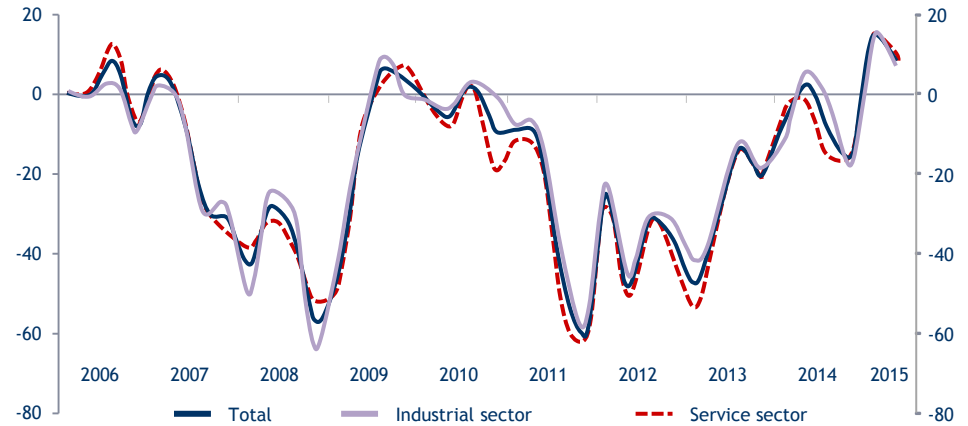
# ...and corporates, the latter helped by...

- ◆ Companies' sentiment on investment environment consistently improving
- ◆ Credit conditions (rates, amounts, collateral) extremely loose
- ◆ Bank lending still down on a Y.o.Y. basis, but rapidly approaching a turning point

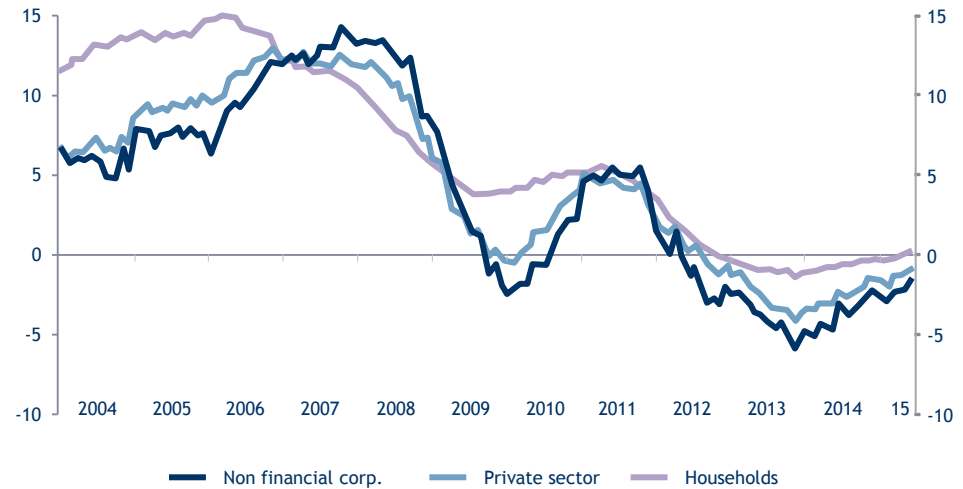
**Credit standards: Italy and European average (Jan. 2005-Jul. 2015, % diffusion index)**



**Italy: perceived investment conditions (Jan. 2006-Jul. 2015, % of favourable less unfavourable)**

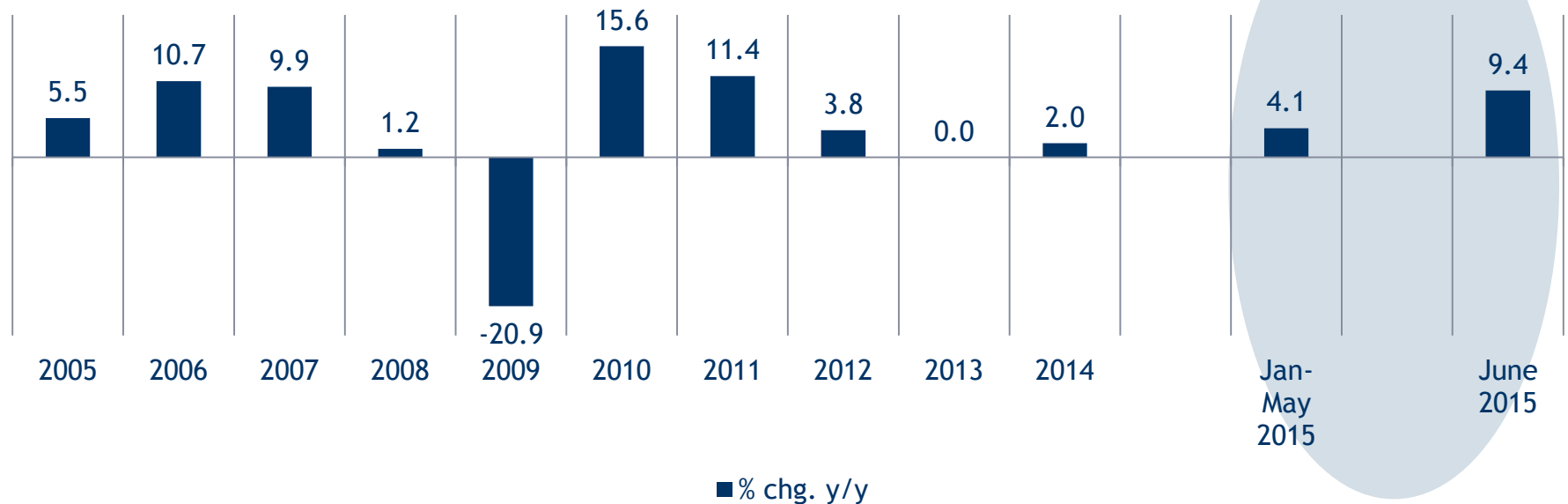


**Italy: bank lending to private sector (% chg. y/y)**



## ...export: a cornerstone on Italian companies

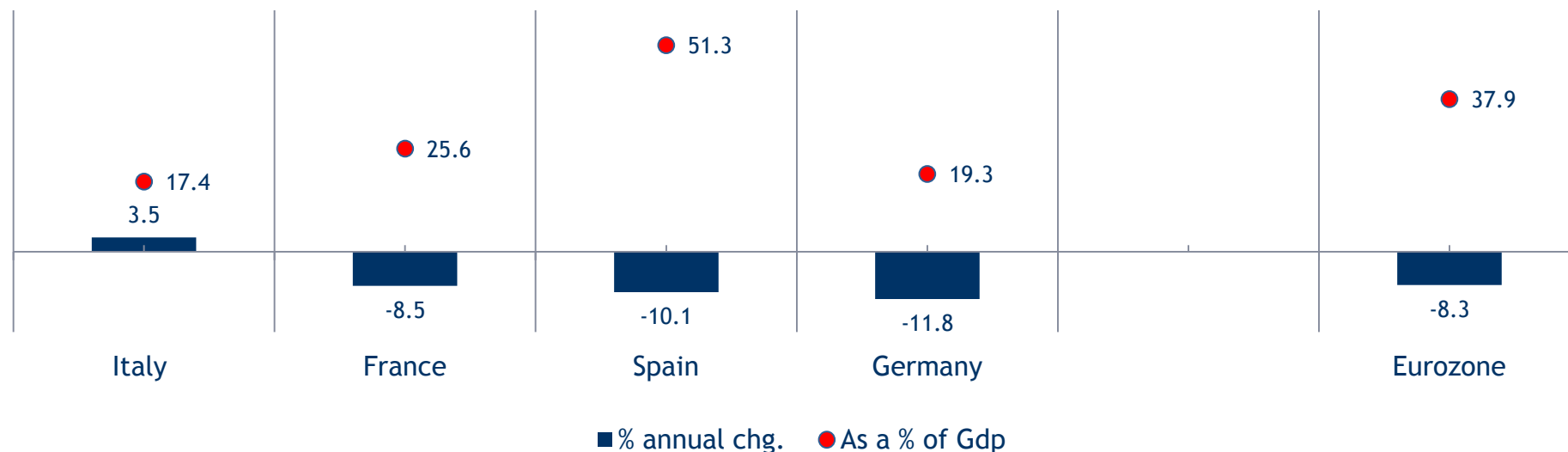
Italy: export % annual chg.  
(2005-June 2015)



- ◆ Export annual % growth rising again in 2015 to pre-crisis rates
- ◆ Italy's strengths:
  - ◆ 5<sup>^</sup> largest worldwide trade balance surplus (excluding energy) after China, Germany, South Korea, Japan
  - ◆ widest array of major trade non-energy surpluses after Germany and China
  - ◆ Italy's share of world exports reducing less than those of the U.K., France and Japan

# Italy attracting increasing FDIs also due to ...

Italy: annual % chg. in FDIs stock and FDIs stock as a % of Gdp (2014)



- ◆ As stated by ATKearney: “Despite weak economic growth in 2014, Italy continued to attract high levels of investment”
- ◆ According to its FDI-Confidence Index (global business leaders’ opinion on target countries), Italy ranked 12th in 2015 (+8 positions on 2014), ahead Netherlands, Switzerland and Spain

# ...opportunities arising from structural reforms



- ◆ Structural reforms aimed at increasing overall competitiveness of Italian system and growth via:
  - ◆ Boosting competitiveness and export capacity of Italian companies
  - ◆ Resuming national investment and attracting foreign ones
  - ◆ Reducing import and addressing national demand towards Italian productions
- ◆ According to OECD estimates the 2020 impact of structural reforms is expected to be some 2.0% of GDP



# Mediobanca strong after the crisis...

## Mediobanca Group

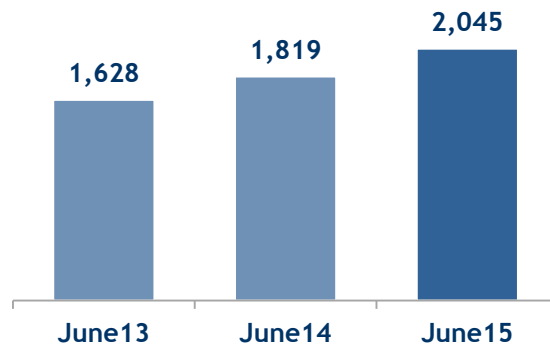
Today Mediobanca is:

- ◆ the leading Italian investment bank, with a growing position in Europe
- ◆ a top player in consumer credit in Italy
- ◆ a prominent multi-channel retail bank with CheBanca!, set to become a leader in digital banking

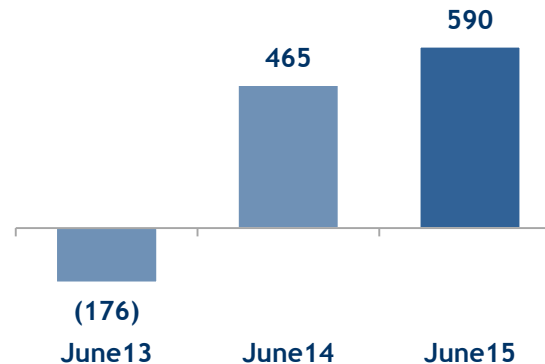
Revenues:	€2.0bn
Net profit:	€590m
ROE adj. <sup>1</sup> :	7%
C/I ratio:	41%
Total assets:	€53bn
Loan book:	€33bn
AUM:	€35bn
No. of staff:	3,790

CETI B3 phased-in:	12.0%
CETI B3 fully phased:	13.2%
S&P rating:	BBB-
Fitch rating:	BBB+
DPS:	€0.25
Stated payout:	36%
Loan/funding ratio:	77%
Market cap.:	€8bn

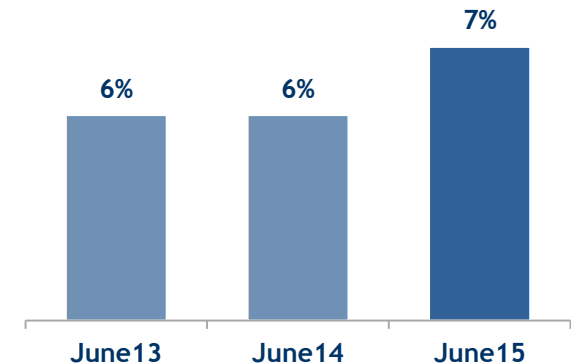
Revenues (€m)



Net profit (€m)



ROE adjusted



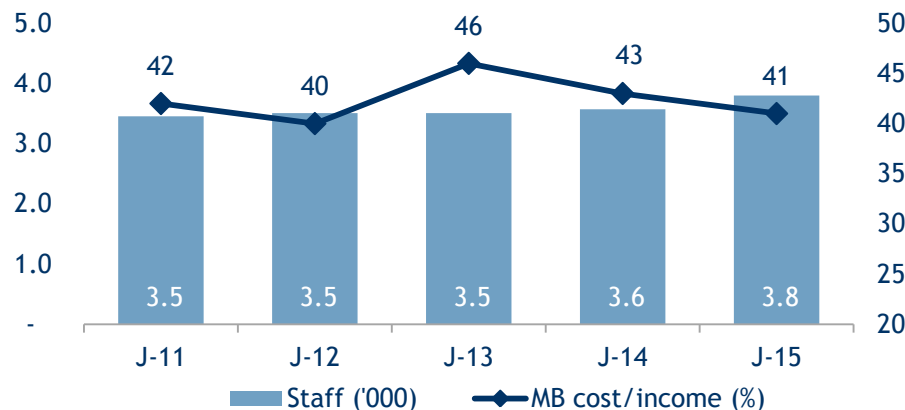
Figures as at June-end 2015 (annual period), AUM including Cairn Capital AUM

1) Profit/losses from AFS disposals, impairments and positive one-off items excluded

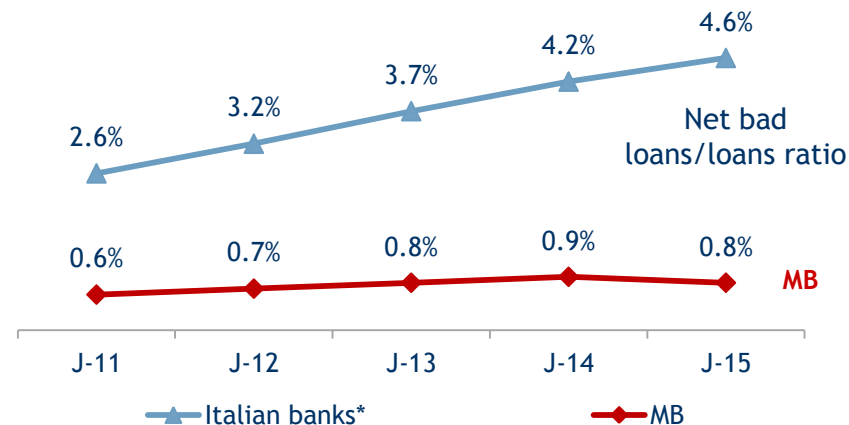


# ... delivering long-term sustainability...

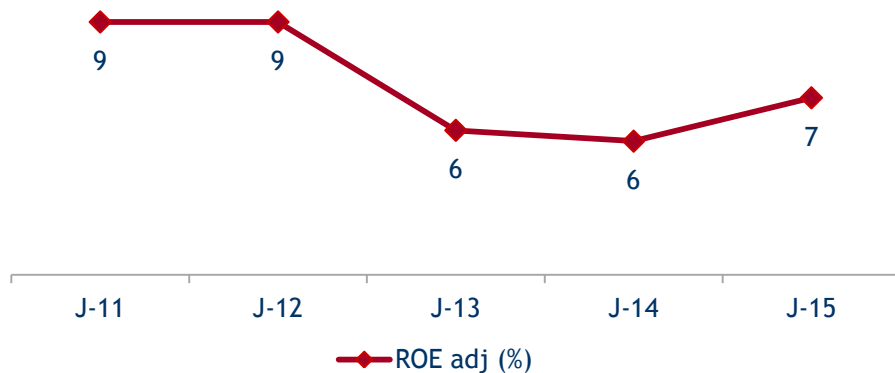
## Low and stable cost/income ratio



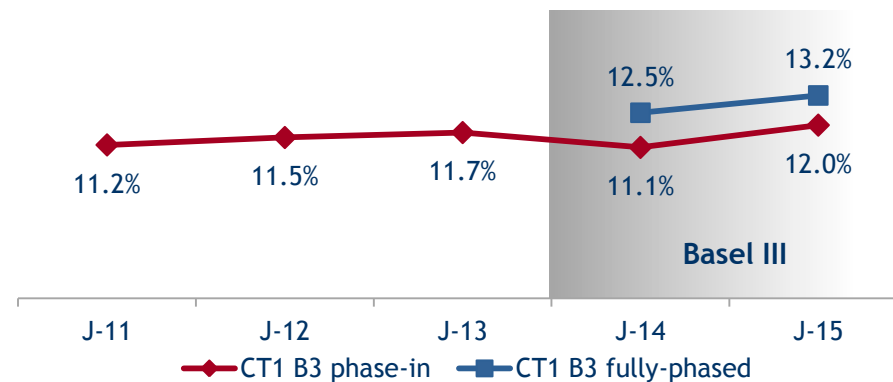
## Strong asset quality



## High single-digit profitability<sup>1</sup>



## Strong K ratios. €3bn returned to shareholders<sup>2</sup>



\*) Source: Bank of Italy, ABI

1) Profit/losses from AFS disposals, impairments and positive one-off items excluded

2) Cash dividends and buybacks since 2005 (including FY2015 dividend)

# ...due to a well diversified business model ...

## Mediobanca Group

### Banking businesses

### Equity holdings

Corporate & Investment Banking (CIB)	Retail and Consumer Banking (RCB)	Principal Investing (PI)
<b>Wholesale Banking</b> <ul style="list-style-type: none"> <li>◆ Lending</li> <li>◆ Advisory</li> <li>◆ Capital markets</li> </ul>	<b>Consumer credit</b>	<b>Ass.Generali (13.2%)</b>
<b>Private banking/ Asset management</b>	<b>Retail banking</b>	<b>AFS stake ptf</b>
<b>Revenues: €776m</b> <b>ROAC adj.: 8%</b> <b>Loan book: €14.6bn</b> <b>AUM: €31.8bn</b> <b>RWA: €33.4bn</b>	<b>Revenues: €1,008m</b> <b>ROAC adj.: 11%</b> <b>Loan book: €15.5bn</b> <b>AUM: €2.9bn</b> <b>RWA: €12.2bn</b>	<b>Revenues: €254m</b> <b>ROAC adj.: 22%</b> <b>Equity BV: €4.4bn</b>  <b>RWA: €11.7bn</b>

Figures as at June-end 2015 (annual period), AUM including Cairn Capital AUM. ROAC assuming K absorbed = 8% RWAs

# ... focused on specialized and profitable banking business

Corporate & Investment Banking	Retail and Consumer Banking	MAAM (setting up)
<p><b>Wholesale banking</b></p>	<p><b>Consumer credit</b></p>	
<ul style="list-style-type: none"> <li>◆ Historical Mediobanca DNA. Leadership in Italy, growing visibility in EMEA</li> <li>◆ “Solutions”/event-driven business</li> <li>◆ Diversified and balanced revenue pool</li> <li>◆ Profitable but cyclical business</li> </ul>	<ul style="list-style-type: none"> <li>◆ Business run since 1960s, leading position in Italy</li> <li>◆ Specialized business, high entry barriers</li> <li>◆ Revenue stabilizer, Group NII driver, high profitability</li> <li>◆ High credit risk fragmentation</li> </ul>	<ul style="list-style-type: none"> <li>◆ Low capital intensive business, competence driven</li> <li>◆ Fee-based recurrent business (non-proprietary)</li> <li>◆ “Solutions” business (large scale not always needed)</li> <li>◆ Setting up through acquisitions of small-size asset management businesses</li> </ul>
<p><b>ROAC: 7%</b></p>	<p><b>ROAC: 15%</b></p>	
<p><b>Private banking</b></p>	<p><b>Retail banking</b></p>	
<ul style="list-style-type: none"> <li>◆ Specialized business</li> <li>◆ Resilient source of revenues, with low K absorption</li> <li>◆ Business synergic with CIB</li> </ul>	<ul style="list-style-type: none"> <li>◆ Effective, innovative, multi-channel distribution platform set to become leading digital bank</li> <li>◆ Diversification of Group funding sources</li> <li>◆ Resilient source of revenues, increasing focus on managing households’ savings</li> </ul>	<ul style="list-style-type: none"> <li>◆ focused on alternative asset classes</li> <li>◆ serving institutional investors</li> <li>◆ with strong management teams and track records</li> <li>◆ scalable operational infrastructure</li> <li>◆ <b>First step in MAAM set up with acquisition of credit asset specialist Cairn Capital in August 2015</b></li> </ul>
<p><b>ROAC: 26%</b></p>	<p><b>to break-even</b></p>	

ROAC as at June-end 2015 (annual period)



# Mediobanca successfully delivering on 2014/16 business plan

Mediobanca aims to be:

a **simpler**, more **valuable** banking group

**focused** on three **growing**, **specialized** banking businesses

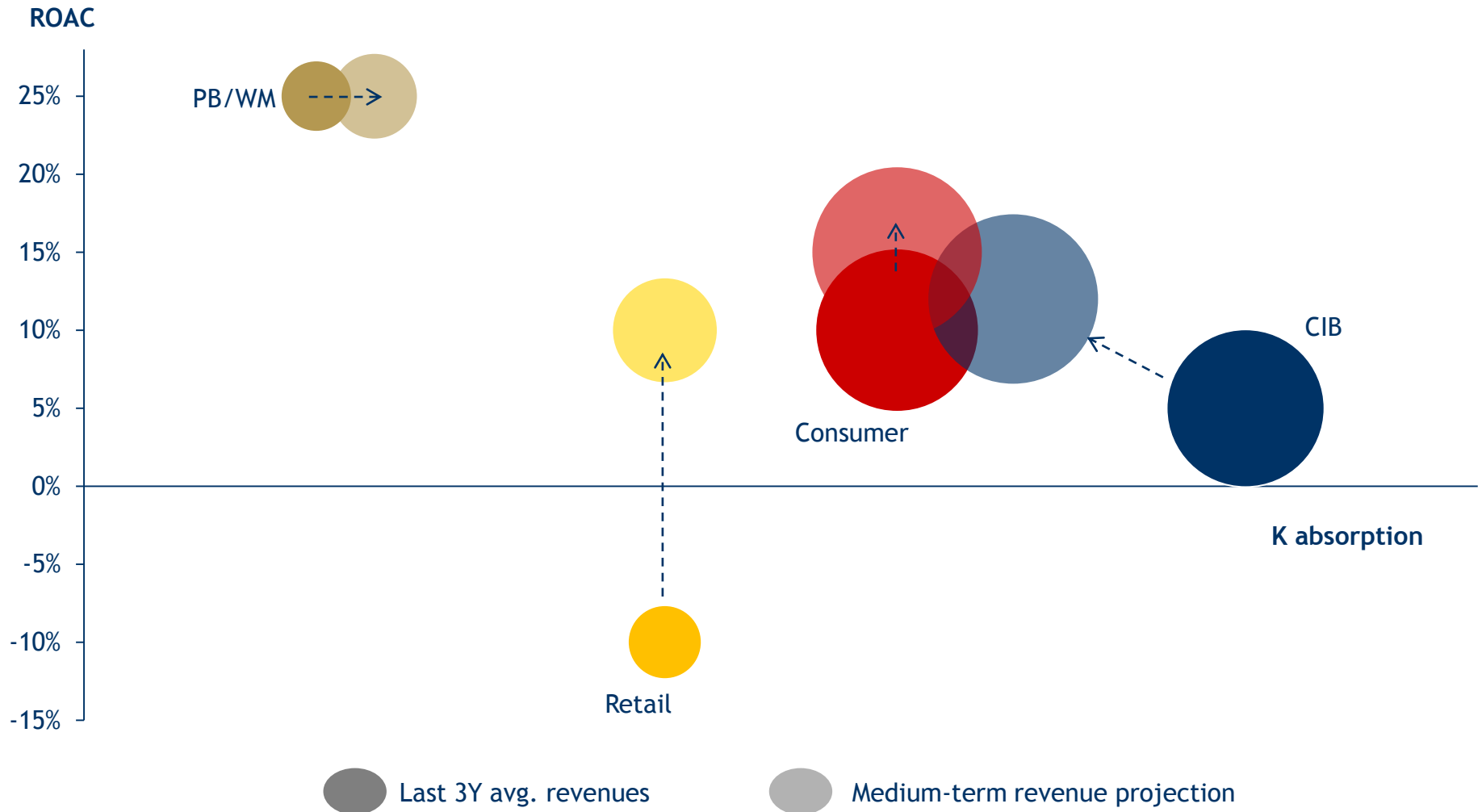
delivering **sustainable profitability** over the cycle

by:

- 1 **Reducing equity exposure** and **optimizing use of capital**
- 2 **Investing in banking businesses**, chiefly in fee-generating and capital-light ones
- 3 **Improving asset profitability**, maintaining risk and quality control

# Targeting higher returns and more efficient use of capital

## Revenues, capital absorption and ROAC\* trend by business



\* K absorbed = 8% RWAs

# CIB → Boost profitability also improving use of capital

## CIB goals:

Enhance coverage, distribution and international reach

Improve returns

Confirm low risk profile

## Actions:

- 1** → **Grasp opportunities in new macro environment:** corporate investment and M&A cycle rebound, institutional reforms, new EU regulatory requirements (sector consolidation, privatisations, company recaps/IPOs)
- 2** → **Run new large/mid caps coverage model, leverage more on synergic approach**
- 3** → **Leverage on strong A&L, while reducing RWAs density:** MB well positioned on liquidity, funding and capital among EU banks - RWA density to improve due to the adoption of advanced model (2Y time) and event-driven / originate to distribute model in lending
- 4** → **MAAM delivering ongoing**

# Consumer → Leverage on franchise to boost ROAC

## Compass goals:

Manage leadership

Focus on value

Deliver strong ROAC

## Actions:

- 1 **Grasp opportunities in new macro environment:** higher demand, lower penetration of consumer lending in Italy than elsewhere, asset quality improvement
- 2 **Focus on risk adj. margins** rather than market share
- 3 **Leveraging on franchise, continue investing in distribution** (front office, digital platform, further distribution agreements)
- 4 **Exploit synergies with Group companies**



# Retail → Accelerate reshaping, definitively profitable

## CheBanca! goals:

From deposit gather to wealth manager

Best in class multi-channel offer

Profitable

## Actions:

- 1 → **Grasp opportunities in new macro environment:** low interest rate scenario favouring AUM, higher demand for mortgages, consolidation of banking sector
- 2 → **Continue investing in distribution** (new home banking platform, innovative CRM/Advisory models)
- 3 → **Breakeven confirmed in FY16 driven by fee income**
- 4 → **Opportunistic approach to M&A** (customer base/AUM-growth to be pursued through “accelerators” such as selected FAs hirings, small acquisitions, etc.)

### Italy

On a recovery path both for households and corporates

Attracting increasing foreign investments

Material structural changes expected in financial and industrial sectors

### Mediobanca

Mediobanca well positioned to deliver improved and sustainable returns

due to a well diversified business model

focused on specialized and profitable banking business

**Heavy uncertainty still expected, but Mediobanca  
well equipped to grasp opportunities in the new macro environment**



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