MEDIOBANCA

BOARD OF DIRECTORS' MEETING

Financial statements for twelve months ended 30 June 2020 approved

Milan, 30 July 2020

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The MB Group continues on its BP23 strategic path, leveraging on the distinctive features of its business model, which has proved effective during the Covid-19 crisis, being focused on more resilient client segments (households and mid/large corporates), with an increasing contribution from fee driven capital-light activities (Advisory and WM).

The Group delivered 4Q results above expectations, including:

- Gradual but significant **recovery all business segments**, in a more favourable market environment
- **Broadly positive operating results**, on a robust performance in **revenues (up 4% QoQ to €606m)**, with **costs under control (down 1% QoQ to €298m**), substantial **capital generation** (**CET1 ratio 16.1%, up 220 bps QoQ, phase-in)**, including 50bps positive impact from the cancellation, in line with the ECB guidance, of the dividend set aside for FY20 (DPS €0.27) and 80bps relating to regulatory provisions[1]
- **Strict asset quality management**, extended to include moratoria and adaptation of IFRS 9 models to new macro-economic scenario: the **cost of risk increased during 4Q to 141 bps,** with total **gross NPLs remaining stable at 4% of the loan book**, allowing the **coverage ratios to be increased** for all asset classes, performing and non-performing
- **Net profit €48m, but adjusted net profit[2] €217m excluding non-recurring charges. A single quarter's result was sufficient to cover the one-off charges for the full twelve months (€285m)**, 80% of which due to Covid-19, and 80% taken in 4Q (including €65m in impairment charges to RAM).

The Group delivered solid results in FY 2019-20:

- **Revenues were stable** at €2.5bn (up 3% net of one-off Covid-19 charges), with **NII and fees both up 3% YoY**
- **Cost/income ratio 47%** (up 1pp); **cost of risk 82 bps** (up 30 bps YoY)
- Net profit €600m, with EPS down 27% YoY at €0.68 (€0.93)
- **Adj. net profit €887m, with EPS adj.[2] up 3% at €1.0 (€0.97)**
- **Adj. ROTE[2] 10%**
- **DPS 2020 proposal now zero,** in accordance with ECB guidance
- Sustainability strategy continues to be implemented, with continuous **support provided by the Group to its staff, clients and communities during Covid-19 crisis**

2019-23 Business Plan: strategic guidelines, targets, capital optimization and shareholder remuneration policy all confirmed

- CET1 ratio now to be progressively optimized at 13.5% by end-June 2023[3] to cope with prudential management of Covid-19 crisis. Return to a best-in-class distribution policy starting from 2021, featuring payment of cash dividends plus share buybacks to optimize capital ratios, in size and mix to be decided year by year, depending on the speed of recovery, the Mediobanca stock market price (P/BV multiple) and ECB authorizations.

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1 Includes 50bps added as a result of the different concentration limit from 20% to 25% of the eligible capital (cf. p.3).

2 Adj. net profit: net profit minus items related to Covid-19 crisis, contributions to system funds, writedowns/impairment to investments and securities, and other non-recurring items (income and charges); tax rat normalized to 33% (25% for PB and AM, 2% for PI).

3 Subject to approval by shareholders in general meeting and to authorization from the ECB.

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At the divisional level, significant progress was made in WM with consolidation in Consumer Banking; the contributions made by both CIB and PI were positive and high.

- **WM: ROAC[4] 19%, leading contributor to Group fee income** (47% of the total)**; revenues up 8%** YoY (to €584m), **fees and commissions up 9%** YoY (to €306m), **net profit up 13%** YoY (to €80m). The WM division's gathering capability remains high, with no outflows in the Affluent/Private segments even during lockdown. **The distribution networks contributed NNM of €4.9bn in 12M, €2.1bn in 4Q, with TFAs growing to €64bn** (up 4% YoY). Enhancement of the distribution structure continued during the period, and the network now comprises more than 1,000 professionals (up 10% YoY, with 868 added in the Affluent segment);

- **Consumer Banking: ROAC[3] 31%, leading contributor to Group net interest income; revenues up 4% YoY** (to €1,071m), **NII up 5% YoY** (to €948m), net profit down 12% YoY (to €297m), due to the **cost of risk increasing to 247 bps** (361 bps in 4Q). Record business levels were reported in Consumer Banking until February 2020. The lockdown impacted strongly on new loans which, however, **by end-June had grown to around 60% of their pre-Covid levels**. Compass has adopted a prudent provisioning policy, despite some **very favourable results from the moratoria granted to date**, with approx. 55% paid off or restructured with short-term expiries and (based on preliminary analysis of clients who have already begun their revised repayment schedules, **so far 85% have returned to normality**

- **CIB**: **ROAC[3] 13%, net profit €181m**. MB has strengthened its leadership positions in core segments and markets during the twelve months, participating in the most important M&A deals that have taken place in the period. Covid-19 caused a slowdown in investment banking activity, **but the deal pipeline is normalizing quickly,** with healthy recoveries posted in Advisory, ECM and DCM business. Lending has seen an increase in volumes since March 2020, due to drawdowns on RCF lines. The **high quality of the loan book is also confirmed by the manageable amount of additional adjustments** (approx. €40m vs a loan book worth approx. €18bn) due to adaptation of the IFRS 9 models to the new macro scenario

- **PI: ROAC[3] 18%, net profit €295m.** As at 30 June 2020, the Group's investment in **Assicurazioni Generali benefited from more favourable prudential treatment,** meaning a saving for the MB Group in terms of CET1 of around 50 bps (lower deductions due to the concentration limit[5])

- **HF: treasury management reflects a comfortable funding and liquidity position, while Group central cost discipline continues, as does the deleveraging process in leasing.** There was growth in funding (to €55bn), the deposit and TLTRO components in particular, with the cost of funding stable at 80 bps. The Counterbalance Capacity (CBC) stood at €13bn, with conservative banking book asset allocation.

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4 ROAC: adj. net profit (cf. footnote 2)/average allocated capital; allocated capital = 9% RWAs (for PI division: 9% RWAs + capital deducted from CET1).

5 The most recent update to Bank of Italy circular no. 285 has amended the national regulations on the assumption of risks versus related parties. As a result, exposures to insurance companies held in accordance with the provisions of Article 471 of the CRR (the "Danish Compromise") are excluded from calculation of the exposure limits. In the light of this change and until June 2021 (when CRR II comes into force), the Group's investment in Assicurazioni Generali group is deducted from regulatory capital in order to respect the general concentration limit of 25% of eligible capital (CRR large exposures), rather than the narrower limit of 20% for related parties.

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With Renato PAGLIARO in the Chair, the Directors of Mediobanca approved the individual and consolidated financial statements for the twelve months ended 30 June 2020, as illustrated by Chief Executive Officer Alberto NAGEL.

Covid-19: from crisis management to ongoing support to staff, clients and communities

From the start of the crisis, Mediobanca launched numerous initiatives to support businesses and households and to protect the health and safety of the Group's staff and clients:

- **Crisis unit established** to tackle the healthcare emergency, chaired by the Group General Manager, with the objective of ensuring the Group's operations while **safeguarding the health and safety of staff and clients;** working from home was facilitated (70% of the workforce during lockdown, now reduced to 40%), working hours were reduced at the retail branches, and a specific healthcare policy was adopted;

- **Participation in initiatives implemented by the Italian government and category associations to support households and businesses**; the Group has taken steps to incorporate the provisions of contained in the recent "Heal Italy" and "Liquidity" decrees, and taken up the measures introduced by the Italian Banking Association (ABI) and the other category associations (in particular consumer credit and mortgage association Assofin). As at end-June 2020, the Group had granted moratoria in an amount of approx. €2.6bn, around half in Consumer Banking, one-quarter in leasing, and one-quarter in mortgage lending; neither the moratoria permitted by law (which account for just over two-thirds of the total) nor the private initiatives implemented in accordance with the EBA guidelines have resulted in forbearance measures being recorded, so the automatic mechanisms introduced by IFRS 9 for significant increases in credit risk have not been triggered;[6]

- **Support by Mediobanca Group to the communities in which it operates and their institutions, with donations totalling €2.6m;** the recipients have been the region of Lombardy, the municipality of Milan mutual assistance fund, the Luigi Sacco Hospital in Milan, non-profit organization "Hope", the "Sempre con Voi" fund to support the families of doctors and healthcare workers who lost their lives in fighting Covid-19; the mutual assistance fund of the city of Bergamo, non-profit organization "Mission Bambini", and the Princess Grace Hospital Centre in Monaco. The donations also reflect the 20% reduction in the emoluments payable to directors in office (rising to 100% for Chairman Renato Pagliaro, Chief Executive Officer Alberto Nagel, and Group General Manager Francesco Saverio Vinci, who also committed to donating 30% of their fixed salaries for the May-December 2020 period to initiatives in connection with the emergency). The statutory auditors of Mediobanca have also elected to support the initiatives, waiving 20% of their annual emoluments.

6 Under IFRS 9, stage 2 consists of exposures which, while not impaired, have nonetheless suffered a significant deterioration in terms of credit risk since the initial recognition date, whereas stage 3 consists of exposures which are non-performing under the regulatory definition.

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Consolidated results

The twelve months under review reflect the impact of the unprecedented shock caused by the Covid-19 epidemic, which caused the leading global economies to stall and rapidly enter recession. Prompt intervention by the main central banks and extraordinary fiscal policy measures implemented by the governments of individual countries and by the European Union helped stock markets to recover from April and to limit the impact of the crisis on households and corporates.

Stock markets lost more than 30% in March 2020 compared to the start of the year, before gradually recovering by-end June (Dow Jones: -10% vs start of year); the 10Y BTP/*Bund* spread è has now fallen to below 150 bps, roughly half the highest level seen in the year; the Itraax Crossover index has also fallen back below 350 bps, having exceeded 600 bps at the height of the crisis. The most recent estimates for 2020 suggest global GDP will fall on average by 6.5%, Eurozone GDP by 9.1%, and Italian GDP by 11.2%, but with the expectation that growth could resume from as early as 2021, and uncertainty over when end-2019 levels will be recovered.

The Mediobanca Group went into this severe crisis scenario with a solid, diversified business model which has proved effective in managing the emergency situation, and better placed than when it entered the 2008 and 2011 crises: more solid capital position (CET1 ratio near all-time highs), lower exposure to leverage lending, government bonds and trading activities; higher average corporate loan book rating, and householder risk (mortgage lending and consumer credit) that has reflected continuous improvement over the years; strongly reduced exposure to equity.

Despite the emergency, **the Mediobanca Group delivered a solid set of results in FY 2019-20 (net profit €600m), lower than last year** (€823m), **chiefly due to one-off items being taken (approx. €285m), 80% of which due to Covid-19, with 80% charged in 4Q (including €65m in impairment charges for RAM). Net of these items, the Group would have posted net profit of €887m, with EPS up 3% to €1.0 (€0.97) and ROTE of 10%. The capital base is very strong (CET1 ratio 16.1%, phase-in), up 220 bps in 4Q.**

The results for the twelve months reflect the following performances:

- **Commercial activity gradually normalizing**: the twelve months saw record levels of commercial activity until February 2020, in all areas, followed by sharp deceleration during lockdown. Since May activity levels have gradually normalized, as the lockdown restrictions on mobility have been eased, and as the income support measures have come into force. Deposit gathering capability in WM has remained high at all times, with no outflows in the Affluent/Private segment even during the lockdown period. The distribution networks contributed NNM of €4.9bn, €2.1bn of which in 4Q. Conversely, the lockdown impacted strongly on new business levels in consumer credit and mortgage lending, which in the last weeks of March were 80% lower than February in the case of the former, and 60% lower in the case of the latter; however, by end-June 2020, new loans had climbed back to around 60% of their pre-Covid values. Overall new loans in the twelve months were down 13% in Consumer Banking (to €6.4bn), and up 22% for residential mortgages (to €2.2bn). New loans to corporates are also normalizing, following the increased recourse to RCF lines in March/3Q, subsequently reducing (new loans for 12M €5.9bn, vs €5.8bn in FY 2018-19).

- **Revenues stable (at €2,513m), up 4% in 4Q** (to €606m) due to the recovery in trading profits and a solid performance in net interest income and fees.

    - **Net interest income up 3.3%** (from €1,395.6m to €1,442.2m) on higher contributions from Consumer Banking (up 5.5%, from €898.8 to €948m) and Wealth Management (up 4.2%, from €260.2m to €271m), while Corporate and Investment Banking repeated last year's performance with €271.4m (30/6/19: €272.7m); **in 4Q NII was stable at €361m**, despite the reduction in new loans in retail business, by keeping the cost of funding under control;

- **Fee income up 3%** to €630m, **driven by WM** (€306m, up 9% YoY), with CIB stable and Consumer Banking down 4%; CIB fee income showed resilience in 4Q, with advisory fees recovering, and fees in WM and Consumer Banking decreasing, on lower average volumes;

- **Net treasury income** decreased from €196.7m to €136.3m, on a reduced contribution from activities with CMS clients (€86m, vs €122m) and the proprietary portfolio (trading and banking book), reflecting the sharp market correction which was only in part made up by end-June 2020**; the Covid-19 impact may be quantified at approx. €45m**, mostly due to the effects of 2019 dividends being postponed or cancelled on equity derivative valuations;

- **The equity-accounted companies' contribution to net profit** decreased from €321.2m to €304.3m, with the contribution for 4Q €54.8m, reflecting in particular the profits delivered by Assicurazioni Generali in 1Q 2020.[7]

- **Costs under control:** the increase in costs (up 2.3%, from €1,161.9m to €1,188.9m), chiefly reflects the consolidation of Messier Maris et Associés (up €18.8m, €14m of which in labour costs), strengthening of the commercial network in Wealth Management (up €14m), and the Group's IT initiatives; the item includes the extraordinary expenses linked to the Covid-19 emergency totalling €3.8m; while a total of €2.6m has also been donated to charitable initiatives. Operating costs in fact fell in 4Q (down 1% QoQ), due to the reduction in the variable remuneration component, projects, and spending on travel, events and marketing.

- **Cost of risk up to 82 bps (up 30 bps in 12M), 141 bps in 4Q** (three times the lows recorded at year-end 2019), **attributable to a conservative risk management policy intended to maintain asset quality at excellent levels and increase coverage**. Loan loss provisions were nearly 70% higher than last year (up from €222.6m to €374.9m); the increase was concentrated in 4Q, due to the deterioration in households' risk profile, and the worsening macroeconomic scenario. **The Covid-19 effect can be estimated at approx. €110m**, around 30% of the total provisioning taken for the twelve months. The performance in Consumer Banking reflects the operating difficulties encountered in credit recovery and collection activities, during the months of April and May in particular, plus a prudent valuation of the share of the portfolio involved in the moratoria: the increase in provisioning (up 36.5%, from €237.8m to €324.7m, €63.9m of which Covid-related) is reflected in the upward trend in the cost of risk (from 185 bps to 247 bps, with a high of 361 bps recorded in 4Q). Corporate and Investment Banking charged writedowns of €20m (compared with net writebacks of €36.2m last year), due to provisioning being recalculated on the basis of the new macroeconomic scenario for the wholesale portfolio (impact quantifiable as €37m). The increase in provisioning in Wealth Management was smaller in absolute terms, with adjustments up €11.8m to €20.5m, concentrated in CheBanca! (up 41.6%, from €13.7m to €19.4m, €4.4m of which Covid-related;

- **Other charges totalling €153.8m;** these include the increase in estimated losses on banking book securities following the recent downgrade of Italian sovereign debt (provisions up €1.3m to €8.8m, €7.5m of which in 4Q). The heading also includes value adjustments for

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7 The profits as at 31 March 2020 reported by the company, which reflected €655m in writedowns to shares and AFS funds, have been increased by the writebacks recorded at end-June 2020 (€313m), as the share written down in the quarterly accounts was subsequently revised in conjunction with the interim reporting date; the difference in profit (of which Mediobanca's share is approx. €40m pro rata) has been taken through the valuation reserves.

holdings in funds, which reflect negative adjustments at the year-end totalling €11.7m, better than at 9M (total charges €20m), for the two main seed capital investments (RAM and Cairn) in particular. The contributions to the resolution funds were also higher than last year (from €53.5m to €59.7m), due to the higher ordinary contribution to the Single Resolution Fund (from €26.8m to €37.2m), which includes the increase in deposits at system level and the extraordinary contribution to the national resolution system of €11.1m (€9.1m). Other charges also include non-recurring costs totalling €9.2m in connection with the fine handed down to Compass by the antitrust authority,[8] and the restructuring plans in leasing operations. The results for the twelve months also reflect impairment charges taken in respect of the goodwill on RAM, which have been reduced from €155m to €64.6m on prudential grounds, after a valuation of the company reflecting the lower profitability recorded in the first months of 2020 as a result of redemptions on some of the main funds managed. The impact on profit and loss is €65.1m, representing the difference between the effects of the goodwill impairment (€96.9m) and the writeback in respect of the lower valuation of the liabilities to buy up the minority interests (€31.8m).

- **Overall, non-recurring charges for the twelve months totalled €285m, 80% of which due to Covid-19, and 80% taken in 4Q**. The main constituents here, as previously mentioned, are €110m in higher loan loss provisions, €90m in reduced trading income and the lower contribution from Assicurazioni Generali, plus the €85m impairment charges on the investment in RAM and writedowns to the seed capital investments.

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The balance-sheet data reflect an increase in total assets from €78.2bn to €78.9bn, as a result of higher customer loans (up 5.2%), with a consequent increase in funding (up 6.9%) and the treasury liquidity position; the main items reflect the following trends:

- **Customer loans grew from €44.4bn to €46.7bn in 12M, but were below the €47.4bn posted at end-March due to the reduction in new loans.** The contribution from Wealth Management grew by 16.1%, from €11.4bn to €13.2bn – which includes CheBanca! mortgage loans (up 14%) – as did that of Corporate and Investment banking (up 4.4%, from €17.9bn to €18.6bn), on higher volumes in the large corporate segment; Consumer Banking returned to near the levels seen at the start of the year, down just 1.4% (from €13.2bn to €13bn), after recording an all-time high of €13.8bn at end-February 2020;

- **Positive results from moratoria**: the Mediobanca Group has to date granted moratoria involving a total of €2.6bn, half of which in connection with consumer credit, and the remainder split equally between leasing and mortgages. **Around 55% of the consumer credit moratoria have now been cancelled, with 85% now having returned to normal** (percentage of these clients who have resumed making repayments as normal)**, whereas 90% of the remainder have an outstanding duration of less than three months;**

- **Asset quality remains excellent, with only modest increases in NPLs and stage 2 assets** (i.e. those which have begun to show some deterioration in their credit standing). Gross NPLs[9] were up 10%, from €1,782.3m to €1,954.2m, but in relative terms remain low, **at 4.1% (3.9%) of total loans;[10]** over 90% of the increase is due to Consumer Banking, which, in addition to the one-time effect of certain positions being reclassified from performing to non-

8 The Italian antitrust authority charged Compass with engaging in improper commercial practices in the distribution of insurance products bundled with loans. Compass is convinced that it has conducted itself properly in its relations with clients, and accordingly has challenged the ruling, appealing to the Lazio regional court to overthrow it.

9 From the reporting at 30 September 2019, the Mediobanca has adopted a new definition of default, on a voluntary basis and subject to receiving authorization from the ECB, for the AIRB segments. The new definition is fully aligned with the EBA Guidelines (EBA/GL/2016/07), Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 and Regulation (EU) 2018/1845 of the European Central Bank of 21 November 2018. The new regulations govern the classification of credit operations as being in default, according to stricter criteria on transactions with unpaid instalments or which are overdrawn on an ongoing basis, "overdue or overdrawn shares", and mechanisms for exiting default status.

10 The Finrep gross NPL ratio (calculated without acquired NPLs) remains unchanged at 3.4%; for further details please refer to Part E of the Notes to the Accounts.

performing due to the new definition of default adopted in September 2019, also reflects the impact of the standstill in operations during the months of March and April with regard to repayments and credit recovery. Similarly, net NPLs also increased, from €806m to €874.2m, and in relative terms were virtually unchanged at 1.8% of the total loan book, as a result of the higher provisioning (coverage ratio up from 54.8% to 55.3%); particularly noteworthy in this regard is the reduction in provisioning in CIB (from €394.7m to €316.4m), after two material UTP positions were reclassified as performing. Net bad loans declined to €78.4m (€79.8m), and account for 0.17% of total loans (30/6/19: 0.18%), with a coverage ratio of 81.6% (79.7%). NPLs do not include the assets acquired by MBCredit Solutions, which decreased from €368.6m to €358.6m in the twelve months due to a prudent approach being adopted for new acquisitions (NPLs worth a nominal amount of €0.3bn were acquired, involving an outlay of €35.5m). Stage 2 positions increased from €2,676m to €3,032m, but remain at very low levels (6.5% of total loans); Consumer Banking in particular reflects growth of 26% (from €1,136.1m to €1,430.3m), due to prudent valuation of the items covered by moratoria, **and so raising the coverage ratio for all performing loans from 3% to 3.2%;**

- **Funding grew from €51.4bn to €54.9bn,** mainly as a result of increased recourse to the T-LTRO facilities (up from €4.3bn to €5.7bn, including €3bn for T-LTRO III), and higher Private Banking deposits (up from €7.4bn to €8.5bn); the debt security funding component grew slightly, from €18.5bn to €18.8bn, on €4.6bn in new issues, €500m of which in 4Q; the cost of funding remains virtually unchanged at 80 bps;

- **Banking book securities were up 1.9% (from €6.7bn to €6.8bn)**, with the sovereign debt security component totalling €4.7bn, €3.3bn of which domestic (duration approx. four years, almost half of which accounted for as Hold to Collect and Sell); net treasury assets increased from €5.3bn to €6.1bn, with an increasing liquidity component (ECB deposits just over €3bn);

- **Wealth Management TFAs totalled €63.6bn, €2.2bn higher than last year;** despite the €1bn negative market effect (roughly half the loss recorded at end-March 2020 was recovered in 4Q). Deposits grew from €22.4bn to €23.8bn, and AUM/AUA totalled €39.8bn, slightly higher than last year (€39bn). There was clear growth in assets managed in both the Affluent segment (€27.8bn, up €2.4bn in 12M) and Private Banking (up €2bn, €1.3bn of which generated by Mediobanca PB), which offset the less certain trend in institutional asset management (€9.6bn, versus €11.8bn), as a result of lower valuations, outflows from systematic funds, and outflows from certain low-profit mandates attributable to Mediobanca SGR;

- The capital ratios – calculated in accordance with the most recent versions of both the CRR and the Bank of Italy's circular no. 285[11] – reflect significant growth:

    - **Common Equity Tier 1 ratio: 16.13%**, up 220 bps in 3Q and up 200 bps in 12M, helped by the absence of dividends for distribution (adding 50 bps for reversal of the dividend set aside until 31 March 2020) in line with the ECB guidance, the 35% weighting of salary-backed finance exposures being brought forward (adding 22 bps), the lower deductions for the Assicurazioni Generali investment (adding 50 bps, as a result of the different concentration limit for related parties), and the RAM writedown being broadly neutral. In view of the positive trend in the capital ratios and the low impact

11 The most recent update to Bank of Italy circular no. 285 has amended the national regulations on the assumption of risks versus related parties. As a result, exposures to insurance companies held in accordance with the provisions of Article 471 of the CRR (the "Danish Compromise") are excluded from calculation of the exposure limits. In the light of this change and until June 2021 (when CRR II comes into force), the Group's investment in Assicurazioni Generali group is deducted from regulatory capital in order to respect the general concentration limit of 25% of eligible capital (CRR large exposures), rather than the narrower limit of 20% for related parties.

of Covid-related effects, at present the Group has decided not to take up the option of using the additional phase-in measures (or "prudential filters") introduced in recent months by the regulator to neutralize the impact deriving from impairment charges taken under IFRS 9 and changes in the valuation reserves for government securities;

- **The CET1 ratio, fully loaded without Danish Compromise**, i.e. with the Assicurazioni Generali investment deducted in full (minus 145 bps) and full application of the IFRS 9 FTA effect (minus 15 bps), is equal to **14.5%** (30/6/19: 12.83%);

- **The total capital ratio increased in the twelve months, from 17.46% to 18.82% (17.55% fully loaded).**

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The sudden and unexpected spread of the Covid-19 pandemic required measures to support staff, clients and the community to be rapidly adopted, in addition to the initiatives and projects already scheduled to meet the targets set in the strategic plan.

The health and safety of employees and staff were protected by ensuring the majority of staff were able to work from home (involving 70% of the total workforce), **cancelling business travel and meetings, reducing the office hours at the retail branch offices** (mornings and by appointment only), and providing a series of remote services to support staff (psychological, healthcare and education). Clients were also guaranteed protection and **continuity of operations through the Group's successful multi-channel model, with a strong digital approach,** virtually all branches remaining open (suitably adapted to reduce the risk of infection), and **the processes to apply the Italian government and category associations' decrees to support the economy being activated immediately** (Italian banking association ABI, plus the consumer credit, factoring and leasing associations) **being activated immediately**, with the possibility of these measures being **extended to categories of applicants who did not qualify for them to provide support in specific cases. The Group has also provided support to the communities** in which it operates and their institutions, by making the following donations: **€1.1m to the region of Lombardy**, the Milan municipality fund for mutual assistance, and the Luigi Sacco Hospital, also in Milan (this sum also includes the contributions made by the Group's own staff). These first initiatives were soon followed by others: **CheBanca! donated the equivalent of 1x1.000 for new funds deposited in tied deposit accounts in the month of April to help in the Covid-19 emergency. The first €300,000 was donated to the "Hope" non-profit association to buy ventilators, portable ultrasound machines, and PPE**. During June, **a further €950,000 was donated to three solidarity initiatives selected by the Group CSR Committee**: the "Sempre con Voi" fund to support the families of doctors and healthcare workers who lost their lives fighting Covid-19; the mutual assistance fund of the city of Bergamo, and non-profit organization "Mission Bambini" which provides IT equipment to children in need. The donations also reflect the 20% reduction in the emoluments payable to directors in office (rising to 100% for Chairman Renato Pagliaro, Chief Executive Officer Alberto Nagel, and Group General Manager Francesco Saverio Vinci, who also committed to donating 30% of their fixed salaries for the May-December 2020 period to initiatives in connection with the emergency). The statutory auditors of Mediobanca have also elected to support the initiatives, waiving 20% of their annual emoluments. CMB has also donated €100,000 to the Princess Grace Hospital Centre (CHPG), for the acquisition of biological material to perform testing and swab testing, medical equipment and PPE.

Aside from the emergency initiatives, **governance of sustainability issues was strengthened in the course of the year, with the creation of a new CSR Committee set up by the Board itself** to improve Board involvement in ESG issues, **approval of a LTI plan for senior management which**

includes non-financial targets, revision of the **Group Sustainability Policy,** and approval of the **first policy on sustainable investing and lending**.

Progress has been made in achieving the qualitative and quantitative targets set in the Strategic Plan consistent with the amount of time that has actually elapsed:

- **Responsible investing:** procedures have been launched to incorporate assessment of ESG criteria for new Group investments/loans;
- **Equal opportunities:** procedures have been implemented (including specifications for head-hunters) to ensure equal representation in staff selection and promotion processes;
- **Responsible consumption and production:** a framework has been approved from which the Group's first ever green bond issue will be made;
- **Support for energy transition:** RAM to issue its first carbon neutral fund;
- **Reduction in direct environmental impact:** CO^2 emissions cut by 6%, 93% of energy now comes from renewable sources, increase in the number of hybrid vehicles acquired which now account for 13% of the total company fleet;
- **Contribution to economic growth:** €100m in investments in Italian small and medium-sized businesses;
- **Support to local community:** €5.4m in investments in social and environmental impact projects.

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Divisional results

1. **<u>Wealth Management:</u>[12] digital efficiency, advisory-based approach, innovative product offering, sustainable pricing and brand value are once again key factors in the effectiveness of the WM model, especially in the changed scenario: NNM inflows total €4.9bn in 12M (€2.1bn in 4Q) in the Affluent and Private segment, revenues up 7% to €584m, with growth in both NII (up 4%) and fees (up 9%). ROAC[13]@19%.**

Despite the social and economic emergency situation and the extreme volatility on financial markets, the Wealth Management division has continued on the growth path mapped out in the Strategic Plan, enhancing its distribution structure, intensifying its customer service, and improving its profitability.

Banking activity effectively supported by use of remote channels (some 98% of transactions have been executed digitally in recent months), as too is advisory activity in asset management, where client interaction via telephone and video link has intensified with the Group's experts in financial products and markets, who have provided support in their investment decisions which is even more crucial in a situation of high volatility such as the one engendered by the outbreak of the pandemic.

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12 Includes the Affluent & Premier segment (CheBanca!), Private Banking (MBPB, CMB), Asset Management (MB SGR and MB Management Company, Cairn Capital, RAM AI), plus Spafid.

13 ROAC adjusted for items relating to Covid-19 emergency, writedowns/impairment charges to investments and securities, and other non-recurring income and cost items.

The distribution network has been strengthened by 10%, and now consists of more than 1,000 professionals, 868 in CheBanca! (454 Affluent and Premier relationship managers, and 414 FAs, who provide their services from a total of 192 branches and POS).

The product offering has been further enriched, leveraging on the capabilities of the Group's product factories, with the following developments standing out in particular:

- Dedicated placement of the Mediobanca Defensive Allocation and Mediobanca Diversified Credit Portfolio funds managed by Mediobanca SGR (with total funding of €70m raised between April and the start of July);

- Inclusion of new portfolio management lines in Mediobanca Private Banking with management delegated to Mediobanca SGR on specific themes (new Health Care, Tech and Top Global Companies lines), plus launch of new lines for Affluent clients distributed by CheBanca!;

- Launch of new funds specializing in illiquid strategies (Mediobanca Private Markets third vintage; second round of fund focusing on prestigious real estate assets);

- Excellent feedback received on Cairn Strata UCITS from Group clients, and new entries to Cairn European Loan (addressed to the institutional market);

- Launch of the Group's first eco-sustainable fund, RAM Stable Climate Equity, which, along with RAM Diversified Alpha, aim to leverage on market opportunities in a volatile scenario such as the present one.

The strong commercial effort has translated to net new money since the start of the year totalling €4.9bn for the Affluent and Premier distribution networks. Approx. €2.6bn is attributable to CheBanca! (€2.3bn of which in **AUM/AUA, and split equally between the FAs and proprietary networks),** €0.9bn in 4Q with a healthy mix (75% consisting of AUM/AUA). **Private Banking contributed €2.3bn (of which €1.3bn in AUM/AUA),** with an appealing contribution in 4Q (€1.2bn) albeit concentrated in deposits. **The product factories reported outflows of institutional clients (-€1.6bn, -€0.7bn of which in 4Q)**: the good performance by Cairn Capital (€0.8bn inflows) was more than offset by RAM (outflows of €1.4bn), which was hit by the negative trend in systematic funds, and by Mediobanca Asset Management (€1bn outflow due to closure of low-profitability mandates).

Total Financial Assets (TFAs) amounted to €63.6bn, and were split equally between the Affluent (€27.8bn) and Private Banking segments (€26.2bn); after the downturn in March (€60.2bn, due to €4bn in lower valuations), TFAs returned to end-December levels (€63.7bn), and were 4% higher than at end-June 2019. **AUM/AUA** (the higher profitability products) **came in at €39.8bn, recovering from March 2020 (€37.8bn) but some €2bn lower than at end-December 2019 (€41.8bn)** due chiefly to the market effect. The Group companies' asset management products placed within the Group totalled €9.6bn.

The division posted clear growth in net profit, up 12.9%, to €80.4m, and ROAC (up from 16% to 19%), with the cost/income ratio declining from 79.3% to 77.2% as an effect of the growth in revenues. The main income items performed as follows:

- **Net interest income rose by 4.2% (from €260.2m to €271m), with positive contributions from the Affluent segment (up 1.7%, from €210.6m to €214.1m) and Private Banking (up 14.8%),** the contribution of CMB in particular growing (from €40.5 to €45m);

- **Fee income climbed by 9% (from €280.9m to €306.1m), with significant growth posted in management fees (up 8.4%, from €306.3m to €332.1m)**, before commissions paid back to FAs (up from €28.3 to €39.2m); **the contribution of performance fees remains low** albeit not insignificant, at €13.2m (€2.9m). **The Affluent segment rose by 18.9%** (from €85.7m to €101.9m), **and Private Banking by 19.6%** (from €103.8m to €124.1m), **while there was a 6.7% reduction in Asset Management** (from €77.3m to €72.1m);

- **Operating costs were up 3.9% (from €434m to €450.8m), due to the strengthening of the distribution network** (Affluent and CMB) **which was reflected in the higher labour costs (up from €221.8m to €236.5m)** and only marginally in administrative expenses, which were basically unchanged at €214.3m, as a result of certain major projects being postponed;

- Loan loss provisions of €20.5m (€11.8m) are largely attributable to mortgage lending activity, and rose as a result of the Covid-19 effect referred to above; some writebacks in Private Banking last year were not repeated this year.

Other profits include non-recurrent items attributable to Spafid and the other product factories.

Customer loans in Wealth Management totalled €13.2bn (€11.4bn), with the mortgage component increasing from €9bn to €10.2bn on **new loans of €2.2bn which remain higher than last year (€1.8bn)** despite the slowdown in 4Q (€0.4bn, vs €0.5bn in 3Q); **the share attributable to Private Banking totalled €2.9bn** (€2.4bn) following a healthy contribution from CMB (which rose from €1.2bn to €1.8bn).

Gross NPLs fell by 1.7% to 1.6% of total loans (up 6.7% to €211.9m, compared with €198.6m), and chiefly regard CheBanca! mortgage loans (which totalled €194.9m, accounting for 1.9% of total loans); **net NPLs in mortgage lending represent less than 1% of total loans (up 4%, from €110.6m to €114.7m, €46.4m of which were bad loans), with the coverage ratio increasing from 44.3% to 45.9% (60.5% of bad loans).**

Moratoria conceded involved almost exclusively CheBanca! clients both under the legislation introduced (Article 54 of the "Heal Italy" decree) and category initiatives. **As at 30 June 2020, the moratoria granted (more than 80% of the 6,258 applications received) involved a total gross exposure of €601m** (approx. 6% of the loan stock), **of which €35.7m were prudentially reclassified as Stage 2, and €4.6m as Stage 3**; around half the concessions thus made will expire by the year end, and the remainder in the first six months of 2021. Barely any applications were received in the Private Banking segment (three clients involving a total amount of €1.2m).

2. <u>Consumer Banking</u>: management approach geared towards value and the profitability of the business have, despite the scenario, allowed **revenues to remain high, asset quality solid, and profitability to be confirmed at sector high levels (ROAC[14] 31%)**. Good new business in the first eight months of the year offset the sharp reduction due to lockdown, bolstering **net interest income** (which was **stable at €237m in 3Q and up 5% in 12M to €948m**), with an increase in the **cost of risk (to 247 bps).**

The Italian consumer credit market suffered a brusque slowdown as an effect of the lockdown, made up in part in the final weeks of 4Q. The reduction in new loans was also accompanied by difficulties in credit recovery operations and the temporary reduction in risk indicators.

Compass posted a 13% reduction in new loans in 12M, due exclusively to the lockdown, **declining from €7.4bn to €6.4bn, with only €0.8bn generated in the last quarter** which recorded an all-time low of €123m (down 80% YoY) during April.

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14 ROAC adjusted for items relating to Covid-19 emergency, writedowns/impairment charges to investments and securities, and other non-recurring income and cost items.

As the lockdown restrictions on mobility have been eased, and as the income support measures have come into force, the months of May and June have seen a gradual recovery in lending volumes, **and in the last weeks of June new business reached approx. 60% of the pre-Covid levels. Risk indicators too have been gradually normalizing.**

On an annual basis personal loans were down 20%m at €3,034.7m (€3,794.8m, with the sharpest reduction reported by the third-party distribution networks), while salary-backed finance was down 15.5% at €437.8m (€518.2m), and special purpose loans were virtually unchanged at €1,955.3m (€1,983.4m). At end-June 2020 net loans outstanding totalled €13bn, slightly lower than last year's total (€13.2bn); 54% consist of personal loans, while the salary-backed finance stock was equal to approx. €2bn.

In such a challenging scenario, Compass has not interrupted its priority strategic initiatives aimed primarily at enhancing the "direct" distribution channels, which have proved to be even more crucial in a period of crisis, through:

- **Launch of "Compass Quinto"**, a new network of agencies specializing in salary-backed finance under Compass's own brand; **as at end-June the network had 48 agencies in operation**;

- **Strengthening of geographical coverage at national level, with the opening of 14 new agencies under the Compass brand** (in addition to the existing 27 agencies and 172 own branches), making a total of 215 POS;

- **Consolidation of market share in special purpose loans, the main channel for acquiring new customers**, by developing partnerships with large-scale organized distribution (telephony and electronics in particular), and developing agreements managed locally by the geographical network;

- **Development of the internet channel,** which during lockdown in particular **reported a 20% increase** versus last year (**€319m,** vs €265m), equal to **almost 18% of personal loans through the direct channel**.

Particular attention has been focused on maintaining asset quality at levels of industry-leading excellence, by means of a prudent risk management policy which has been comfortably enabled by the high operating results:

- **Moratoria were granted in respect of loans worth a total of €1.3bn** (€1bn under the Assofin initiatives, and the remainder under voluntary initiatives by Compass itself), **granted with an average duration of 2-3 months. As at 30 June 2020 roughly half were still in force,** the majority of which will expire by the end of the next quarter. Compass has implemented a prudent provisioning policy despite the **favourable results of the moratoria so far**, 55% of which have been cancelled, and which, based on preliminary analysis of those clients that have resumed making repayments as scheduled, **now show 85% having returned to normal**

- **Coverage of performing loans rose to 3.2%** (vs 2.7% in September 2019 following the introduction of the new definition of default), **reflecting careful and prudent classification to Stage 2**, the gross balance of which rose during the twelve months from €1,393m to €1,691.7m (approx. 12% of the total loan book), chiefly due to the effect of the moratoria.

- **Net bad loans were stable at €14.6m (€13.7m)**, account for 0.1% of total loans, and reflect a **coverage ratio of 94.6% (94.3%)**; disposals in 3M amounted to €30m, bringing the 12M total to €181.4m.

- **Gross NPLs increased to €1,015.7m,** from €930.5m at end-September 2019 and €737.7m at end-June 2019), and increased in relative terms as a percentage of the loan book to 7.2%

(vs 6.5% at end-September 2019 and 5.2% at end-June 2019). Similarly, net NPLs rose to €324.2m (€189m), account for 2.5% (1.4%), and reflect a coverage ratio that has remained high at 68.1% in the last three quarters.

Despite the scenario, the Consumer Banking division delivered top-line growth of 4.3% (to €1,070.6m), high net profit of €296.6m (vs €336.4m last year), **and ROAC of 31**%. **The 11.8% reduction in net profit reflects an increase in the cost of risk (from 185 bps to 247 bps, of which 361 bps in 4Q) due to prudent risk management with the aim of preserving asset quality,** as previously mentioned. The main income items performed as follows during the twelve months:

- **Net interest income was up 5.5% (from €898.8m to €948m)**, driven by average volumes (up 5.5%) which were the result of an excellent performance in new business for the first eight months, allowing the sharp reduction in new loans from mid-March to be absorbed; **net interest income in 4Q was basically stable,** with the reduction in new business offset by the lower cost of funding;

- **Net fee and commission income was down 4.3%, from €128.1m to €122.6m,** due to lower volumes impacting both the insurance component (€60.7m, compared with €73.2m last year[15]), and also, with positive effect, the passive fees granted to distribution partners;

- **Operating costs rose by 3.3%, from €293.5m to €303.2m, due to the IT component and credit recovery expenses** (an activity which is vital in the current scenario) being only in part offset by the lower marketing expenses (with the advertising campaign having been suspended); **Covid-related expenses totalled €2.7m, and chiefly regard payments to agents;**

- **Loan loss provisions were up 36.5%, from €237.8m to €324.7m** with a **Covid-related impact of €64m** (approx. three-quarters of the total annual increase).

3. <u>Corporate & Investment Banking</u>: specialist approach, diversification of client-driven activities, focus on mid-large clients with high ratings, low exposure to sectors most exposed to the effects of Covid-19 – all key factors in determining the sustainability of the business in the current economic environment. ROAC[16]@13%.

The halt in operations as a result of the healthcare emergency progressively affected all of the CIB division's reference markets. M&A in 4Q was affected by the post-Covid-19 containment measures, with the deal value on the Bank's three core markets half that in 3Q, and recovering in the last weeks of June. Conversely, and albeit at very low levels historically, the ECM market resumed in 2Q with capital increases and convertible issues, while the DCM market showed greater resilience and posted growth in 4Q as well. Lending activity also recovered, with new deals focused on investment grade clients and extraordinary transactions.

In this scenario, the **specialist, client-driven approach**, **highly-diversified revenue streams and prudent risk valuation, which are the differentiating features of the division's business model, have confirmed:**

- **the Bank's leadership position in investment banking:** despite the unfavourable scenario, Mediobanca has strengthened its leadership in its reference markets, taking part in the majority of the most important deals, and expanding its coverage in the mid-corporate segment, in line with the Strategic Plan. Healthy levels of activity are expected in the

15 Since 1 May 2020, following the non-compliance proceeding brought by the Italian antitrust authority, the sale of unrelated insurance products bundled with personal loans has been discontinued.

16 ROAC adjusted for items relating to Covid-19 emergency, writedowns/impairment charges to investments and securities, and other non-recurring income and cost items.

coming months, with the relaunch of deals that had to be postponed due to the crisis, and with more opportunities being opened up by potential rounds of sector consolidation or restructuring;

- **resilience of revenues, due to NII and fee income holding well**, despite the sharp reduction in net trading income in 3Q, only in part offset by the market recovery in 4Q;

- **excellent asset quality, with NPLs down in 12M and the changed macro scenario impacting to a limited degree even at the level of the cost of risk.** The high quality of the corporate loan book was confirmed, with 70% of the loans being rated investment grade (from AAA to BBB-) or crossover (BB+), limited exposures to SMEs and the sectors most affected by the healthcare crisis, low average deal amounts, high geographical diversification, and low exposure to LBOs.

The 12M results are strongly marked by the market volatility which was reflected in a sharp reduction in trading activity, while core revenues (net interest income and fees) showed resilience, and **a prudent approach to loan loss provisioning** which was only in part offset by the consolidation of Messier Maris et Associés (which added revenues of €33.8m). Net profit therefore decreased from €265.8m to €180.5m, 80% of which was generated in 1H (€144.1m, in line with the previous financial year); ROAC came in at 13% and the cost/income ratio at 48%. The main income items performed as follows:

- **Net interest income remained at €271.4m, despite the reduction in profitability of large corporate loans due to the higher contribution of securities** (trading portfolio and CMS alternative investments):

- **Fee income was virtually stable at €225.8m (€227.6m), with the full consolidation of MMA** (which contributed fees of €33.8m in 12M, compared to €5.3m in 3M last year) **offsetting the widespread reduction in other areas,** in particular Lending (down from €43.3m to €37.8m due to the decline in acquisition finance, and Specialty Finance, down from €49m to €34.6m, due to the lower contribution from NPL activities; the 4Q contribution was stable at €52m, roughly half of which was due to the resumption of advisory and M&A activities which posted growth for the year of 28% (up from €87.5m to €112.4m);

- **Net trading income decreased from €126.8m to €77.9m,** due to the lower contribution from activities with CMS clients of €85.6m (€127.3m), reflecting the effect of 2019 dividend payments being postponed on the valuations of derivatives hedging the certificates issued; the proprietary portfolio reflected a net loss for the twelve months of €7.7m, despite the €9.5m recovery posted in 4Q versus the lows recorded at end-March;

- **Operating costs were up 2.6%, from €269.3m to €276.2m, split equally between labour and other costs**. The year-end figures reflect the consolidation of Messier Maris et Associés (€24.2m), **net of which costs would reduce by 6.4%.** In particular, **the increase in labour costs (up 1.1%, from €139.4m to €141m) includes €17.8m from MMA, offsetting the substantial reduction in provisioning for the variable component**; administrative expenses (up 4.1%, from €129.9m to €135.2m) include €6.4m from MMA and **higher credit recovery expenses in connection with NPL activity**;

- **Net provisions for financial assets (loans and banking book securities) total €23.5m, as compared with €37.1m in net writebacks last year.** Provisioning for Specialty Finance decreased from €26.5m to €24.5m in order to take account of the lower extra collections on NPLs. **The Wholesale portfolio saw the writedowns** linked to two UTP positions being reclassified as performing (approx. €60m) **wiped out in the course of 3Q and 4Q,** principally due to the IFRS 9 models being adapted to the worsening macroeconomic scenario (adding €37m in extra adjustments). **The cost of risk for the division in the twelve months was thus 11 bps, as compared with minus 21 bps last year.**

Customer loans rose by 4.4% in the year, from €17.9bn to €18.6bn, with the **Large Corporate segment contributing well** (**up 6.2%, from €15.6bn to €16.5bn;** stable in 4Q) which offset the reduction in Specialty Finance (down 7.9 %, from €2.3bn to €2.1bn and concentrated in 4Q) due to the reduction in commercial activity by borrower companies, in ordinary factoring in particular (down 5.7%, from €1.5bn to €1.4bn). In Lending and Structured Finance, new loans in the twelve months totalled €5.9bn (the majority with counterparties ranked as investment grade), against redemptions totalling €5bn (€1.9bn of which early redemptions) mostly with crossover clients; in the last four months drawdowns on revolving lines have intensified (in particular for working capital facilities), for a total amount of €1.3bn in 6M, or 40% of the new loans for the period. Factoring posted an increase in turnover from €6.6bn to €7.4bn (up 12.8%), on a good performance by ordinary factoring activities which offset the reduction in instalment factoring (down 21.8%, from €317.7m to €248.3m). Acquisitions of NPL portfolios were very low (with a nominal amount of €0.3bn, involving an outlay of €35.5m), reflected in the reduction in the stock of NPLs to €358.6m (from €368.6m), with a nominal value of €5.4bn (9% of which relating to intra-Group disposals, primarily from Consumer Banking).

Asset quality remains high: gross NPLs (not including the NPLs acquired) **were down 19.4%, from €671.7 to €541.5m,** after two material UTP positions (gross exposure €108.6m) returned to performing status, against three small exposures acquiring non-performing status (involving a total amount of €39.4m); **in relative terms they remain low, at 2.9% of the total CIB loan book** (3.8%). **Net NPLs decreased from €394.7m to €316.4m, declining from 2.3% to 1.7% of the loan book, with a coverage ratio of 41.6% (41.2%). The Covid-related impact remains low**, concentrated in certain specific sectors, and involving counterparties with no problems in terms of liquidity. As at end-June 2020, around thirty waiver applications had been received, only five of which to defer payments (involving a total amount by way of principal and interest of €12m), whereas all the others were for financial covenants in the light of the lower turnover expected for 2020 as a consequence of lockdown. **Given the temporary nature of the issues, and having ascertained that there are no structural problems with the counterparties' liquidity, the majority of the waivers granted have not been classified as forbearance measures, meaning only four positions have been reclassified as stage 2, the balance of which for CIB positions at end-June was €739.4m** (i.e. 4% of the total loan book), up 33.6% in the quarter but some 5.1% lower than at the same time last year.

4. <u>Principal Investing</u>: positive contribution to Group profits (down 6.1% to €295m despite the effects of the challenging market environment) confirming excellent profitability: ROAC[17]@18%

The division posted a net profit for the twelve months down from €314.2m to €295m, on equity method valuations totalling €304.3m (30/6/19: €321.2m), and dividends and other income collected on holdings in shares and funds amounting to €15.6m (€18.3m). The reduction in profits for the period is chiefly attributable to 4Q, given that in 9M net profit was up from €218.8m to €225.3m, due to the reduced contribution of Assicurazioni Generali (17% lower than last year, at €54.8m). The Group's pro rata share in the profits and valuation reserves of the investee company in 4Q differ from the figures reported by Assicurazioni General in its financial statements as at 31 March 2020, due to the share of the writebacks recorded in 2Q in respect of AFS shares and funds subject to recycling (with the loss cut from €84m to €44m).

17 ROAC adjusted for items relating to Covid-19 emergency, writedowns/impairment charges to investments and securities, and other non-recurring income and cost items.

The sharp price correction in the various asset classes is reflected in the value adjustments to holdings in funds, in particular seed capital invested in equity products (RAM) and credit products (Cairn Capital); overall a writedown of €12.3m was charged (compared with €6.5m last year, following the writebacks credited in 4Q totalling €18.7m (equal to roughly half the net loss posted for the previous quarter, of €40m).

The book value of the Assicurazioni Generali investment decreased from €3,219.3m to €3,163.4m, on earnings of €303.7m, decreases in the valuation reserves totalling €221.7m, and the reduction following the collection of the first tranche of the 2019 dividend (€101.4m).[18]

As for the banking book securities, positions held in funds increased from €520.4m to €534.8m, reflecting the valuations referred to above and net investments totalling €25.1m; holdings in equities increased from €136.3m to €139.1m to reflect alignment with stock market prices at end-June 2020, taken directly through the net equity valuation reserves.

5. Holding functions: comfortable funding and liquidity position, central operating costs under control, and deleveraging ongoing in leasing business

The net loss increased from €167.5m to €183.7m, due to prudent management of the banking book, the substantial liquidity position and the non-recurring items; the contribution from banking book securities reduced by approx. €13m (lower interest receivable and gains on disposals, plus the increase in provisioning). Payments to the resolution funds were up 11.5% (from €53.5m to €59.7m). Leasing reported one-off charges totalling €4.5m, in connection with the restructuring programme. Operating costs decreased from €177.6m to €172.8m, due to lower functioning costs for leasing (down €4m), plus a slightly reduced contribution from central costs (which now represent slightly over 9% of the Group's expenses). The main items performed as follows:

- **Treasury:** management was focused on maintaining an abundant funding and liquidity situation in a scenario marked by high market volatility (LCR and NSFR 165% and 109% respectively, Counterbalance Capacity up to over €13bn). The Group benefited from the funding plan being completed before the pandemic broke out, from the new monetary policy measures made available in the form of TLTRO/LTRO and collateral, and growth in deposits at Wealth Management. The cost of funding remained stable at 80 bps. The MREL buffer remains substantial, and was boosted by the first non-preferred senior issue made in January 2020 (€500m). The net loss increased from €54.7m to €63.1m, on higher net interest expenses of €92.1m (€87.4m) and lower trading income of €37.5m (€45.1m); the higher net interest expense is due to the lower returns on assets as a result of the reduction in interest rates and the substantial liquidity position; while net trading income, given the fact that the gains on the banking book were virtually unchanged at €51m (€55m) reflects the negative fair values of the hedging strategies (implemented in order to allow more active management of the segment), plus the effects of the provisioning for HTC and HTC&S securities (€6m);

- **Leasing** operations show a reduction in net profit, to €1m (€3.2m), due to extraordinary charges in connection with the staff restructuring plans (€4.5m), plus higher loan loss provisioning (up from €8.6m to €9.7m, €2.3m of which due to Covid-19); the 7.3% reduction in revenues, from €42.3m to €39.2m), was largely offset by the reduction in operating costs, from €27m to €23m. Customer leases outstanding declined from €1,951.6m to €1,819.9m, on new business worth €290.4m (€433m last year). Gross NPLs rose from €174.3m to €185m,

18 The Board of Directors of Assicurazioni Generali confirmed a dividend of €0.96 per share to its shareholders in AGM. The dividend is split into two tranches, one of €0.50 per share, paid in May 2020, and one of €0.46 per share, payable by the year-end subject to the Board verifying that the capital and regulatory requirements have been met.

representing 9.8% (8.6%) of the total; similarly, net NPLs increased from €111.8m to €118.9m (up 6.4%), with a coverage ratio of 35.8% (35.9%). Net bad loans totalled €17.5m (€24.1m), and represent 1% (1.2%) of total loans, with a coverage ratio of 53.4% (46.8%). Much of the leasing book was affected by the moratoria granted under Article 56 of the "Heal Italy" decree, with allowed for half-yearly instalments to be deferred. Applications in respect of leases with an aggregate amount of €661.2m were granted (more than 90% of the 7,029 applications received), representing slightly over 35% of total leases; of these, almost 90% were for clients showing no deterioration in credit risk. The share of leases classified as Stage 2 increased from €120.1m to €122.1m in 12M, €2.6m of which in the last four months; the coverage ratio for performing exposures (Stage 1 and Stage 2) increased to 0.7%.

Mediobanca S.p.A.

The Bank reported a net profit of €39.4m for the twelve months, representing a sharp reduction on last year (€386.2m),due chiefly to lower dividends on investments[19] totalling €104.2m (€332.4m), and higher provisions for loans, other financial assets and investments.

Revenues were down 33%, from €840.2m to €562.9m, and reflect the following trends:

- Net interest income rose by 8.8%, from €91.8m to €99.9m, on a lower cost of funding and higher lending volumes;

- Net fee and commission income was basically stable at €231.7m, helped by a healthy contribution from private banking which added €69.7m (€54.1m), offsetting the reduction in fees earned from investment banking;

- Net trading income was down 31.3%, from €184.9m to €127.1m, reflecting the market correction at end-March which had only been recovered in part by end-June.

Operating costs were down 4.0%, (from €419.6m to €402.7m), in particular labour costs (down 7.8%, from €240.8m to €221.9m), reflecting the cut in the variable remuneration component.

GOP reflects the reduction in writebacks to loans (from €58.6m to €15.7m as a result of adaptation to the macroeconomic scenario), higher writedowns to the banking book portfolios (up from €3.6m to €10.5m, reflecting the downgrade in the republic of Italy's rating), the impairment charges to the investment in RAM (net impact of €57m), and higher payments to the resolution and deposit guarantee funds (up from €29m to €39.7m).

On the **balance-sheet side,** total assets were down slightly from €65.9bn to €64.8bn (down 1.6%), due to lower treasury assets. Conversely, customer loans were up 6.4%, from €28.7bn to €30.5bn), matched by an 8.2% increase in funding, from €42.8bn to €46.3bn).

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[19] Compared to last year, Compass Banca has not distributed its 2019 dividend, and Assicurazioni Generali has postponed half of its dividend.

MEDIOBANCA

The **treasury share buyback scheme**, authorized by shareholders at the ordinary Annual General Meeting held on 27 October 2018 and the European Central Bank pursuant to Articles 77-78 of Regulation (EU) 575/2013 (CRR) on 23 October 2018, **was ended on 25 March 2020, with shares bought back in the 18-month period equal to 4.7% of the company's share capital.** Mediobanca owns 26.6 million treasury shares, equal to approx. 3% of the company's share capital, after 13 million shares were acquired in the twelve months and 1.7 million shares were used in connection with the performance share scheme.

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Outlook

Mediobanca is committed to executing the strategic and operating priorities set out in its 2020-23 Strategic Plan, leveraging on the distinctive features of its business model and its proven track record of tackling crisis periods and turning problems into opportunities.

In the uncertainty that still characterizes the reference environment, the Group has at present adopted an operating scenario based on activities normalizing by end-December 2020.

In this scenario, the Group's net interest income is set to fall for the first three quarters of FY 2020-21, largely due to the temporary reduction in consumer credit volumes, in part offset by tactical asset and liability management measures. Fee income by contrast should benefit from the CIB pipeline which is being rebuilt healthily, and by growth in assets in Wealth Management.

Furthermore, in the absence of any market corrections which at present are not foreseeable, the contribution from net trading income should return to near last year's levels. Costs will continue to reflect the implementation of IT investment plans and the enhancement of the commercial network, in accordance with the strategic guidelines of the 2023 Plan. The cost of risk is expected to normalize in the second half of the year, and so is expected to increase slightly on an annual basis in the Consumer Banking component.

In the light of the substantial capital position, the Group's dividend policy approved in the 2019-23 Strategic Plan will be confirmed for FY 2020-21, as is the desire to optimize capital with the objective being to restore the CET1 ratio to 13.5% by end-June 2023, including through share buybacks and acquisitions to strengthen the business lines. The amount and composition (dividends and buybacks) will be decided from year to year in view of the speed of recovery, the Mediobanca stock market price (P/BV), and ECB authorization.

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Disclaimer

This document includes certain projections, estimates, forecasts and consequent targets which reflect the current views of Mediobanca – Banca di Credito Finanziario S.p.A. (the "Company") with regard to future events ("forward-looking statements").
These forward-looking statements include, but are not limited to, all statements other than actual data, historical or current, including those regarding the Group's future financial position and operating results, strategy, plans, objectives and future developments in the markets where the Group operates or is intending to operate.
All forward-looking statements, based on information available to the Company as of the date hereof, rely on scenarios, assumptions, expectations and projections regarding future events which are subject to uncertainties because dependent on factors most of which are beyond the Company's control. Such uncertainties may cause actual results and performances that differ, including materially, from those projected in or implied by the data present; therefore the forward-looking statements are not a reliable indicator of future performances.
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MEDIOBANCA

1. Restated consolidated profit and loss accounts

Mediobanca Group (€m)	12 mths 30/06/19	12 mths 30/06/20	Chg. %
Net interest income	1,395.6	1,442.2	3.3%
Net treasury income	196.7	136.3	-30.7%
Net fee and commission income	611.2	630.2	3.1%
Equity-accounted companies	321.2	304.3	-5.3%
Total income	**2,524.7**	**2,513.0**	**-0.5%**
Labour costs	(581.7)	(599.3)	3.0%
Administrative expenses	(580.2)	(589.6)	1.6%
Operating costs	**(1,161.9)**	**(1,188.9)**	**2.3%**
Loan loss provisions	(222.6)	(374.9)	68.4%
Provisions for other financial assets	(2.1)	(20.5)	n.m.
Other income (losses)	(54.0)	(133.4)	n.m.
Profit before tax	**1,084.1**	**795.3**	**-26.6%**
Income tax for the period	(256.5)	(191.1)	-25.5%
Minority interest	(4.6)	(3.8)	-17.4%
Net profit	**823.0**	**600.4**	**-27.0%**

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	II Q 31/12/19	III Q 31/03/20	IV Q 30/06/20
Net interest income	344.1	356.5	346.4	348.6	359.1	362.4	360.2	360.5
Net treasury income	40.8	56.8	52.9	46.2	34.7	56.8	(2.9)	47.7
)Net commission income	155.1	157.8	148.6	149.7	154.9	173.6	158.8	142.9
Equity-accounted companies	97.7	67.8	59.3	96.4	135.5	48.2	65.8	54.8
Total income	**637.7**	**638.9**	**607.2**	**640.9**	**684.2**	**641.0**	**581.9**	**605.9**
Labour costs	(137.9)	(144.3)	(145.4)	(154.1)	(144.5)	(159.0)	(150.3)	(145.5)
Administrative expenses	(133.5)	(145.9)	(145.8)	(155.0)	(138.1)	(149.5)	(149.5)	(152.5)
Operating costs	**(271.4)**	**(290.2)**	**(291.2)**	**(309.1)**	**(282.6)**	**(308.5)**	**(299.8)**	**(298.0)**
Loan loss provisions	(58.8)	(50.7)	(51.9)	(61.2)	(65.1)	(44.4)	(100.0)	(165.4)
Provisions for other fin. assets	4.1	(15.0)	4.9	3.9	3.9	4.8	(41.0)	11.8
Other income (losses)	—	(11.1)	(26.1)	(16.8)	0.2	(16.0)	(40.5)	(77.1)
Profit before tax	**311.6**	**271.9**	**242.9**	**257.7**	**340.6**	**276.9**	**100.6**	**77.2**
Income tax for the period	(64.4)	(65.2)	(66.3)	(60.6)	(67.8)	(78.3)	(16.4)	(28.6)
Minority interest	(1.8)	(1.6)	(1.1)	(0.1)	(2.2)	(1.6)	0.4	(0.4)
Net profit	**245.4**	**205.1**	**175.5**	**197.0**	**270.6**	**197.0**	**84.6**	**48.2**

MEDIOBANCA

3. Restated balance sheet

Mediobanca Group (€m)	30/06/19	30/06/20
Assets		
Financial assets held for trading	9,765.7	8,818.6
Treasury financial assets	10,170.2	9,257.0
Banking book securities	6,695.9	6,824.5
Customer loans	44,393.7	46,685.1
Corporate	*15,560.8*	*16,521.7*
Specialty Finance	*2,304.5*	*2,122.5*
Consumer credit	*13,223.0*	*13,037.4*
Mortgages	*9,001.9*	*10,235.0*
Private banking	*2,351.9*	*2,948.6*
Leasing	*1,951.6*	*1,819.9*
Equity investments	3,980.3	4,009.7
Tangible and intangible assets	1,187.6	1,311.8
Other assets	2,051.3	2,043.0
Total assets	**78,244.7**	**78,949.7**
Liabilities		
Funding	51,393.2	54,917.0
MB bonds	*18,531.3*	*18,751.0*
Retail deposits	*15,032.0*	*15,276.7*
Private Banking deposits	*7,417.6*	*8,530.7*
ECB	*4,322.4*	*5,660.8*
Banks and other	*6,089.9*	*6,697.8*
Treasury financial liabilities	6,565.6	3,988.0
Financial liabilities held for trading	8,027.8	7,956.9
Other liabilities	2,168.9	2,190.3
Provisions	190.3	157.4
Net equity	9,898.9	9,740.1
Minority interest	*89.7*	*91.5*
Profit for the period	*823.0*	*600.4*
Total liabilities	**78,244.7**	**78,949.7**
CET 1 capital	6,524.4	7,745.0
Total capital	8,085.6	9,041.1
RWA	46,309.9	48,030.5

4. Consolidated shareholders' equity

Net equity (€m)	30/06/19	30/06/20
Share capital	443.6	443.6
Other reserves	7,945.1	8,229.9
Valuation reserves	597.5	374.7
- of which: Other Comprehensive Income	*84.6*	*71.5*
cash flow hedge	*(41.2)*	*(30.6)*
equity investments	*560.6*	*341.7*
Minority interest	89.7	91.5
Profit for the period	823.0	600.4
Total Group net equity	**9,898.9**	**9,740.1**

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5. Ratios (%) and per share data (€)

MB Group	Financial year 18/19	Financial year 19/20
	30/6/19	30/6/20
Ratios (%)		
Total assets / Net equity	7.9	8.1
Loans / Funding	0.86	0.85
RWA density (%)	59.2	60.8
CET1 ratio (%)	14.1	16.1
Total capital (%)	17.5	18.8
S&P Rating	BBB	BBB
Fitch Rating	BBB	BBB-
Moody's Rating	Baa1	Baa1
Cost / Income	46.0	47.3
Bad Loans (*sofferenze*)/Loans ratio (%)	0.2	0.2
EPS	0.93	0.68
EPS adj.	0.97	1.00
BVPS	10.6	10.9
TBVPS	9.6	10.0
ROTE adj. (%)	10.2	10.1
DPS	0.47	0.00
No. shares (m)	887.2	887.2

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

12m – June 20 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	271.0	948.0	271.4	(7.1)	(55.0)	1,442.2
Net treasury income	6.7	—	77.9	15.6	37.5	136.3
Net fee and commission income	306.1	122.6	225.8	—	10.6	630.2
Equity-accounted companies	—	—	—	304.3	—	304.3
Total income	**583.8**	**1,070.6**	**575.1**	**312.8**	**(6.9)**	**2,513.0**
Labour costs	(236.5)	(102.0)	(141.0)	(3.3)	(116.5)	(599.3)
Administrative expenses	(214.3)	(201.2)	(135.2)	(1.0)	(56.3)	(589.6)
Operating costs	**(450.8)**	**(303.2)**	**(276.2)**	**(4.3)**	**(172.8)**	**(1,188.9)**
Loan loss provisions	(20.5)	(324.7)	(20.0)	—	(9.7)	(374.9)
Provisions for other financial assets	(0.5)	—	(3.5)	(10.9)	(5.6)	(20.5)
Other income (losses)	1.8	(4.7)	—	—	(64.3)	(133.4)
Profit before tax	**113.8**	**438.0**	**275.4**	**297.6**	**(259.3)**	**795.3**
Income tax for the period	(32.6)	(141.4)	(92.4)	(2.6)	76.3	(191.1)
Minority interest	(0.8)	—	(2.3)	—	(0.7)	(3.8)
Net profit	**80.4**	**296.6**	**180.7**	**295.0**	**(183.7)**	**600.4**
Loans and advances to Customers	13,183.6	13,037.4	18,644.2	—	1,819.9	46,685.1
RWAs	4,951.6	11,800.8	20,027.7	8,121.9	3,128.4	48,030.5
No. of staff	2,021	1,441	630	11	817	4,920

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

12m – June 19 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	260.2	898.8	272.7	(7.1)	(47.1)	1,395.6
Net treasury income	6.2	—	126.8	18.3	45.0	196.7
Net fee and commission income	280.9	128.1	227.6	—	7.4	611.2
Equity-accounted companies	—	—	—	321.2	—	321.2
Total income	**547.3**	**1,026.9**	**627.1**	**332.4**	**5.3**	**2,524.7**
Labour costs	(221.8)	(99.4)	(139.4)	(3.9)	(117.1)	(581.7)
Administrative expenses	(212.2)	(194.1)	(129.9)	(1.2)	(60.5)	(580.2)
Operating costs	**(434.0)**	**(293.5)**	**(269.3)**	**(5.1)**	**(177.6)**	**(1,161.9)**
Loan loss provisions	(11.8)	(237.8)	36.2	—	(9.0)	(222.6)
Provisions for other financial assets	0.3	—	0.9	(3.3)	0.1	(2.1)
Other income (losses)	0.6	—	—	—	(54.8)	(54.0)
Profit before tax	**102.4**	**495.6**	**394.9**	**324.0**	**(236.0)**	**1,084.1**
Income tax for the period	(28.7)	(159.2)	(129.1)	(9.8)	70.6	(256.5)
Minority interest	(2.5)	—	—	—	(2.1)	(4.6)
Net profit	**71.2**	**336.4**	**265.8**	**314.2**	**(167.5)**	**823.0**
Loans and advances to Customers	11,353.8	13,223.0	17,865.3	—	1,951.6	44,393.7
RWAs	4,533.8	12,564.1	20,065.8	5,641.6	3,504.7	46,309.9
No. of staff	1,936	1,427	621	11	810	4,805

7. Wealth Management

Wealth Management (€m)	12 mths 30/06/19	12 mths 30/06/20	Chg.%
Net interest income	260.2	271.0	4.2%
Net trading income	6.2	6.7	8.1%
Net fee and commission income	280.9	306.1	9.0%
Equity-accounted companies	—	—	n.m.
Total income	**547.3**	**583.8**	**6.7%**
Labour costs	(221.8)	(236.5)	6.6%
Administrative expenses	(212.2)	(214.3)	1.0%
Operating costs	**(434.0)**	**(450.8)**	**3.9%**
Loan loss provisions	(11.8)	(20.5)	73.7%
Provisions for other financial assets	0.3	(0.5)	n.m.
Other income (losses)	0.6	1.8	n.m.
Profit before tax	**102.4**	**113.8**	**11.1%**
Income tax for the period	(28.7)	(32.6)	13.6%
Minority interest	(2.5)	(0.8)	-68.0%
Net profit	**71.2**	**80.4**	**12.9%**
Loans and advances to customers	11,353.8	13,183.6	16.1%
New loans (mortgages)	1,782.6	2,173.2	21.9%
TFA (Stock)	61.4	63.6	3.6%
-AUM/AUA	39.0	39.8	2.1%
-Deposits	22.4	23.8	6.3%
AUC	6.5	5.0	-23.2%
TFA (Net New Money)	5.3	3.3	-38.9%
-AUM/AUA	1.9	2.0	3.4%
-Deposits	3.4	1.3	-62.9%
No. of staff	1,936	2,021	4.4%
RWAs	4,533.8	4,951.6	9.2%
Cost / income ratio (%)	79.3	77.2	
Bad Loans (sofferenze)/Loans ratio (%)	0.4	0.4	
ROAC	16%	19%	

8. Consumer Banking

Consumer Banking (€m)	12 mths 30/06/19	12 mths 30/06/20	Chg.%
Net interest income	898.8	948.0	5.5%
Net trading income	—	—	n.m.
Net fee and commission income	128.1	122.6	-4.3%
Equity-accounted companies	—	—	n.m.
Total income	**1,026.9**	**1,070.6**	**4.3%**
Labour costs	(99.4)	(102.0)	2.6%
Administrative expenses	(194.1)	(201.2)	3.7%
Operating costs	**(293.5)**	**(303.2)**	**3.3%**
Loan loss provisions	(237.8)	(324.7)	36.5%
Provisions for other financial assets	—	—	n.m.
Other income (losses)	—	(4.7)	n.m.
Profit before tax	**495.6**	**438.0**	**-11.6%**
Income tax for the period	(159.2)	(141.4)	-11.2%
Minority interest	—	—	n.m.
Net profit	**336.4**	**296.6**	**-11.8%**
Loans and advances to customers	13,223.0	13,037.4	-1.4%
New loans	7,350.0	6,380.8	-13.2%
No. of branches	172	172	0.0%
No. of agencies	27	41	51.9%
No. of staff	1,427	1,441	1.0%
RWAs	12,564.1	11,800.8	-6.1%
Cost / income ratio (%)	28.6%	28.3%	
Bad Loans (sofferenze)/Loans ratio (%)	0.1	0.1	
ROAC	30%	31%	

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9. Corporate & Investment Banking

Corporate & Investment Banking (€m)	12 mths 30/06/19	12 mths 30/06/20	Chg.%
Net interest income	272.7	271.4	-0.5%
Net treasury income	126.8	77.9	-38.6%
Net fee and commission income	227.6	225.8	-0.8%
Equity-accounted companies	—	—	n.m.
Total income	**627.1**	**575.1**	**-8.3%**
Labour costs	(139.4)	(141.0)	1.1%
Administrative expenses	(129.9)	(135.2)	4.1%
Operating costs	**(269.3)**	**(276.2)**	**2.6%**
Loan loss provisions	36.2	(20.0)	n.m.
Provisions for other financial assets	0.9	(3.5)	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**394.9**	**275.4**	**-30.3%**
Income tax for the period	(129.1)	(92.4)	-28.4%
Minority interest	—	(2.3)	n.m.
Net profit	**265.8**	**180.7**	**-32.0%**
Loans and advances to customers	17,865.3	18,644.2	4.4%
of which purchased NPL (MBCreditSolutions)	369.1	358.8	-2.8%
No. of staff	621	630	1.4%
RWAs	20,065.8	20,027.7	-0.2%
Cost / income ratio (%)	42.9%	48.0%	
Bad Loans (sofferenze)/Loans ratio (%)	0.0	0.0	
ROAC	15%	13%	

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10. Principal Investing

PI (€m)	12 mths 30/06/19	12 mths 30/06/20	Chg. %
Net interest income	(7.1)	(7.1)	n.m.
Net treasury income	18.3	15.6	-14.8%
Net fee and commission income	—	—	n.m.
Equity-accounted companies	321.2	304.3	-5.3%
Total income	**332.4**	**312.8**	**-5.9%**
Labour costs	(3.9)	(3.3)	-15.4%
Administrative expenses	(1.2)	(1.0)	-16.7%
Operating costs	**(5.1)**	**(4.3)**	**-15.7%**
Loan loss provisions	—	—	n.m.
Provisions for other financial assets	(3.3)	(10.9)	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**324.0**	**297.6**	**-8.1%**
Income tax for the period	(9.8)	(2.6)	-73.5%
Minority interest	—	—	n.m.
Net profit	**314.2**	**295.0**	**-6.1%**
Equity investments	3,259.8	3,204.6	-1.7%
Other investments	656.7	673.9	2.6%
RWAs	5,641.6	8,121.9	44.0%
ROAC	15%	18%	

11. Holding Functions

Holding Functions (€m)	12 mths 30/06/19	12 mths 30/06/20	Chg. %
Net interest income	(47.1)	(55.0)	16.8%
Net treasury income	45.0	37.5	-16.7%
Net fee and commission income	7.4	10.6	43.2%
Equity-accounted companies	—	—	n.m.
Total income	**5.3**	**(6.9)**	**n.m.**
Labour costs	(117.1)	(116.5)	-0.5%
Administrative expenses	(60.5)	(56.3)	-6.9%
Operating costs	**(177.6)**	**(172.8)**	**-2.7%**
Loan loss provisions	(9.0)	(9.7)	7.8%
Provisions for other financial assets	0.1	(5.6)	n.m.
Other income (losses)	(54.8)	(64.3)	17.3%
Profit before tax	**(236.0)**	**(259.3)**	**9.9%**
Income tax for the period	70.6	76.3	8.1%
Minority interest	(2.1)	(0.7)	-66.7%
Net profit	**(167.5)**	**(183.7)**	**9.7%**
Loans and advances to customers	1,951.6	1,819.9	-6.7%
Banking book securities	5,550.5	5,611.5	1.1%
RWAs	3,504.7	3,128.4	-10.7%
No. of staff	810	817	0.9%

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12. Parent company restated financial statements (P&L, balance sheet)

Mediobanca S.p.A. (€m)	12 mths 30/06/19	12 mths 30/06/20	Chg.%
Net interest income	91.8	99.9	8.8%
Net treasury income	184.9	127.1	-31.3%
Net fee and commission income	231.1	231.7	0.3%
Dividends on investments	332.4	104.2	-68.7%
Total income	**840.2**	**562.9**	**-33.0%**
Labour costs	(240.8)	(221.9)	-7.8%
Administrative expenses	(178.8)	(180.8)	1.1%
Operating costs	**(419.6)**	**(402.7)**	**-4.0%**
Loan loss provisions	58.6	15.7	-73.2%
Provisions for other financial assets	(4.8)	(21.8)	n.m.
Impairment on investments	(4.2)	(61.4)	n.m.
Other income (losses)	(29.0)	(39.7)	36.9%
Profit before tax	**441.2**	**53.0**	**-88.0%**
Income tax for the period	(55.0)	(13.6)	-75.3%
Net profit	**386.2**	**39.4**	**-89.8%**

Mediobanca S.p.A. (€m)	30/06/2019	30/06/2020
Assets		
Financial assets held for trading	10,047.3	9,214.7
Treasury financial assets	11,517.4	10,306.8
Banking book securities	10,779.3	9,592.2
Customer loans	28,671.0	30,507.4
Equity Investments	3,876.5	4,089.0
Tangible and intangible assets	147.6	168.4
Other assets	869.0	959.4
Total assets	**65,908.1**	**64,837.9**
Liabilities and net equity		
Funding	42,753.7	46,273.9
Treasury financial liabilities	8,636.2	4,614.1
Financial liabilities held for trading	8,280.3	8,351.7
Other liabilities	925.1	762.7
Provisions	126.0	121.6
Net equity	4,800.6	4,674.5
Profit of the period	386.2	39.4
Total liabilities and net equity	**65,908.1**	**64,837.9**

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13. Statement of comprehensive income

		12 mths 30/06/20	12 mths 30/06/19
10.	**Gain (loss) for the period**	**601.4**	**826.2**
	Other income items net of tax without passing through profit and loss	**0.7**	**(11.9)**
20.	Equity instruments designated at fair value through other comprehensive income	3.1	10.9
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	(1.7)	—
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	(2.3)	(1.1)
80.	Non-current assets and disposal groups classified as held for sale	—	—
90.	Portion of valuation reserves from investments valued at equity method	1.5	(21.7)
	Other income items net of tax passing through profit and loss	**(222.3)**	**(133.3)**
100.	Foreign investment hedges	(3.2)	(3.8)
110.	Exchange rate differences	5.5	3.7
120.	Cash flow hedges	11.2	(28.6)
130.	Hedging instruments (non-designated items)	—	—
140.	Financial assets (different from equity instruments) at fair value through other comprehensive Income [1]	(15.4)	(23.2)
150.	Non-current assets and disposal groups classified as held for sale	—	—
160.	Part of valuation reserves from investments valued at equity method	(220.4)	(81.4)
170.	**Total other income items net of tax**	**(221.6)**	**(145.2)**
180.	**Comprehensive income (Item 10+170)**	**379.8**	**681.0**
190.	Minority interest in consolidated comprehensive income	1.5	3.3
200.	**Consolidated comprehensive income attributable to Mediobanca S.p.A.**	**378.3**	**677.7**