



**MEDIOBANCA**  
**A LONG-TERM VALUE PLAYER**

**STRATEGIC UPDATE 2016/19**

16 November 2016



**MEDIOBANCA**

# AGENDA

1. Leveraging on our strengths
2. Strategic ambitions
3. Divisional action plan
4. Group targets

Annexes



MEDIOBANCA

# LEVERAGING ON OUR STRENGTHS

**Mediobanca has emerged stronger after the crisis**  
**in terms of resiliency, reputation and solidity**  
**outperforming many EU banks by profitability and market performance**

due to our

## SPECIFIC STRENGTHS

1

**Distinctive DNA and culture**

2

**Sound business positioning**

3

**Ability to adapt business model**

4

**Ability to grow while reshaping**

**We are a business built on people,  
using a client-centred approach to build trust**

## WHAT MAKE US DIFFERENT

### Specialization and Innovation

Reference IB for Italian corporates  
Most profitable consumer bank  
First human-digital bank

### Strong Reputation built in 70 years of ethical business approach

Strong brand value  
No conduct risk issues

### Stable Board and management team in last 10 years

Indepth knowledge of business environment  
Possibility to launch and develop innovative mid-/long-term initiatives

### Strong Risks and Costs Control

Unrivalled asset quality  
Low operational gearing  
Material capital generation

### Boutique-Type Organization

Lean structure  
Attractive to talent  
Faster decision-taking

Leveraging on our strengths

Section 1

**CORPORATE & INVESTING BANKING**

“Mediobanca: the leading Italian investment bank,  
established role in Southern EU”

Client driven, highly specialized business  
Cost-efficient, strong credit risk assessment,  
45% revenues from outside Italy  
Cyclical business

**RETAIL BANKING**

“CheBanca!: operating at digital-technological frontier”

Entrepreneurial project built from scratch  
Set to become the AUM growth engine for the Group,  
technology champion fee generator

**CONSUMER BANKING**

“Compass: top Italian consumer credit operator”

Distribution and scoring built in 50 years  
Cost-efficient, strong credit risk assessment,  
pricing margin driven  
Countercyclical business

**PRINCIPAL INVESTING**

“13% stake in Ass.Generali”

Revenues, EPS, DPS stabilizer  
Cost-tax free investment  
Potential source of capital

**WHERE MEDIOBANCA IS NOT PRESENT**

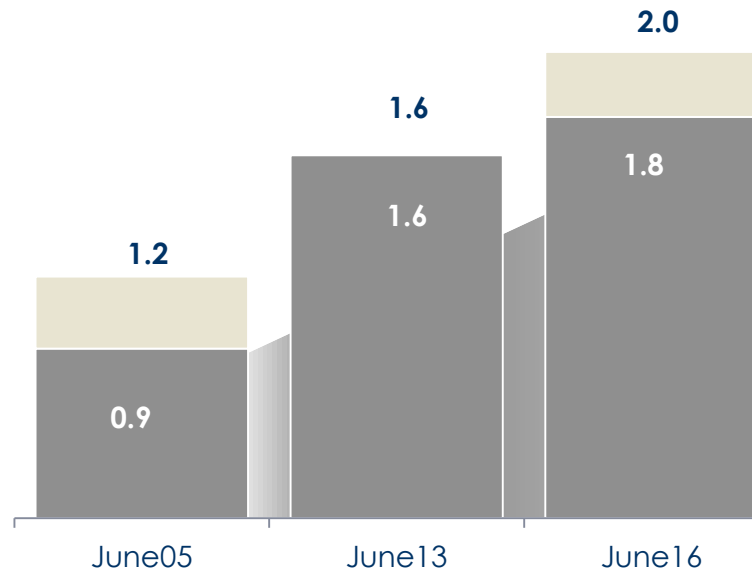
CIB: large FICC business to be heavily restructured, problematic sectors such as ITA small business,  
shipping, real estate development

RETAIL: large and oversized traditional retail branches network, legacy IT/CRM system

In 2003 we embarked on a period of profound change, transforming Mediobanca from an equity holding company to a group of highly specialized banking businesses

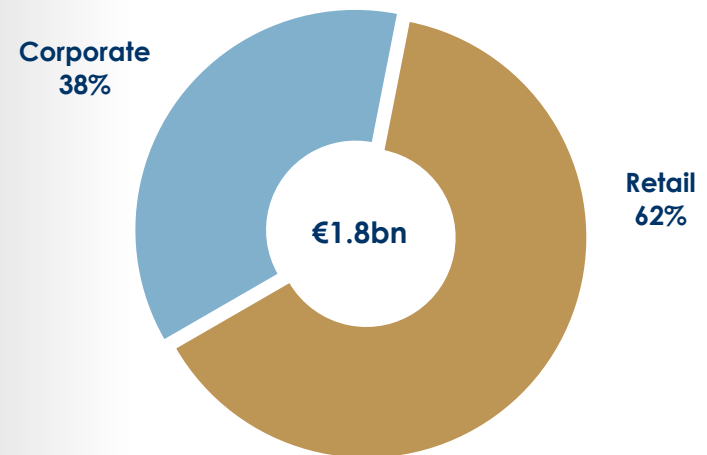
We focused on a business model that offers greater returns for a lower capital outlay, while retaining our prudent approach to risk management

Group revenues breakdown (€bn)



■ Banking revenues ■ Equity investments

Banking revenues breakdown (June16)

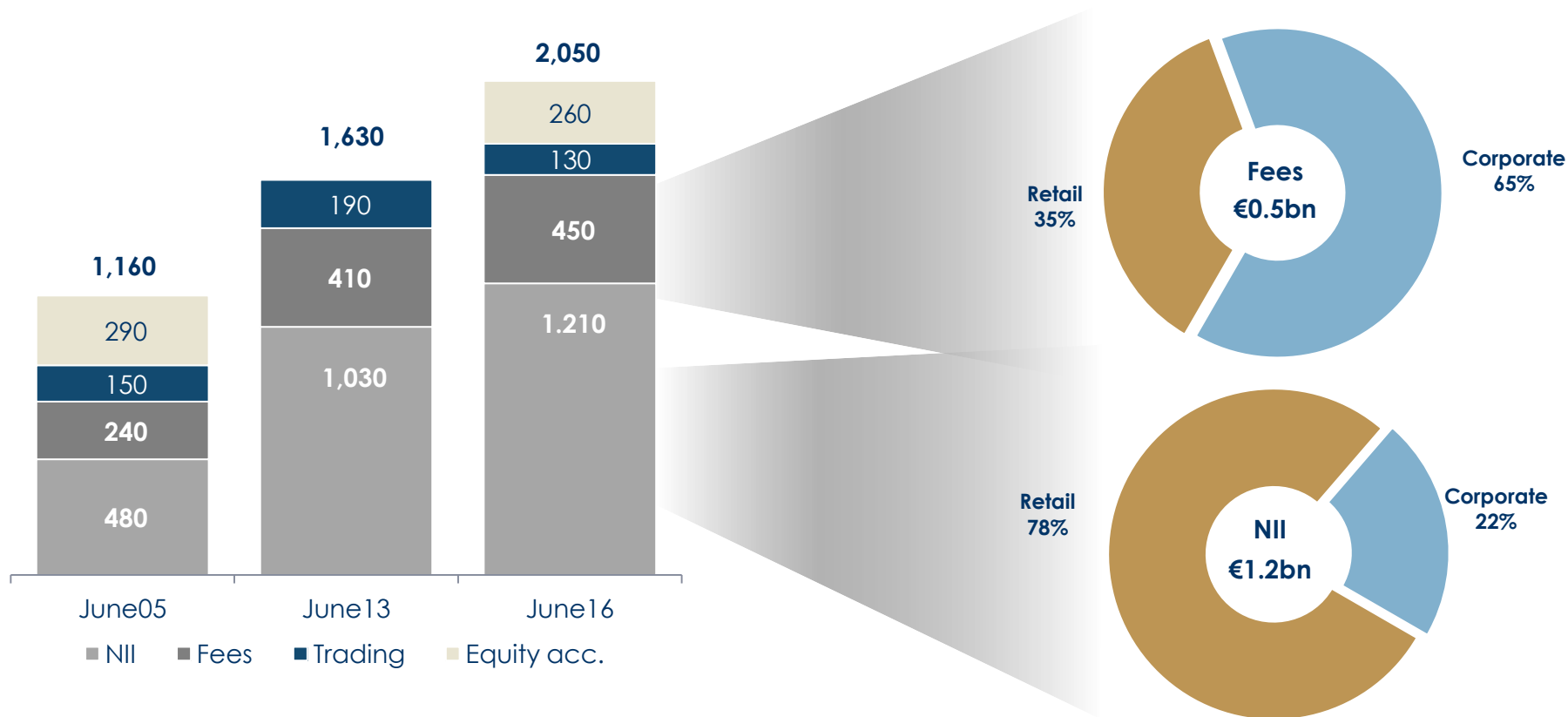


# BANKING REVENUES DOUBLED AND DIVERSIFIED WITH EFFECTIVE CORPORATE/RETAIL MIX

Leveraging on our strengths

Section 1

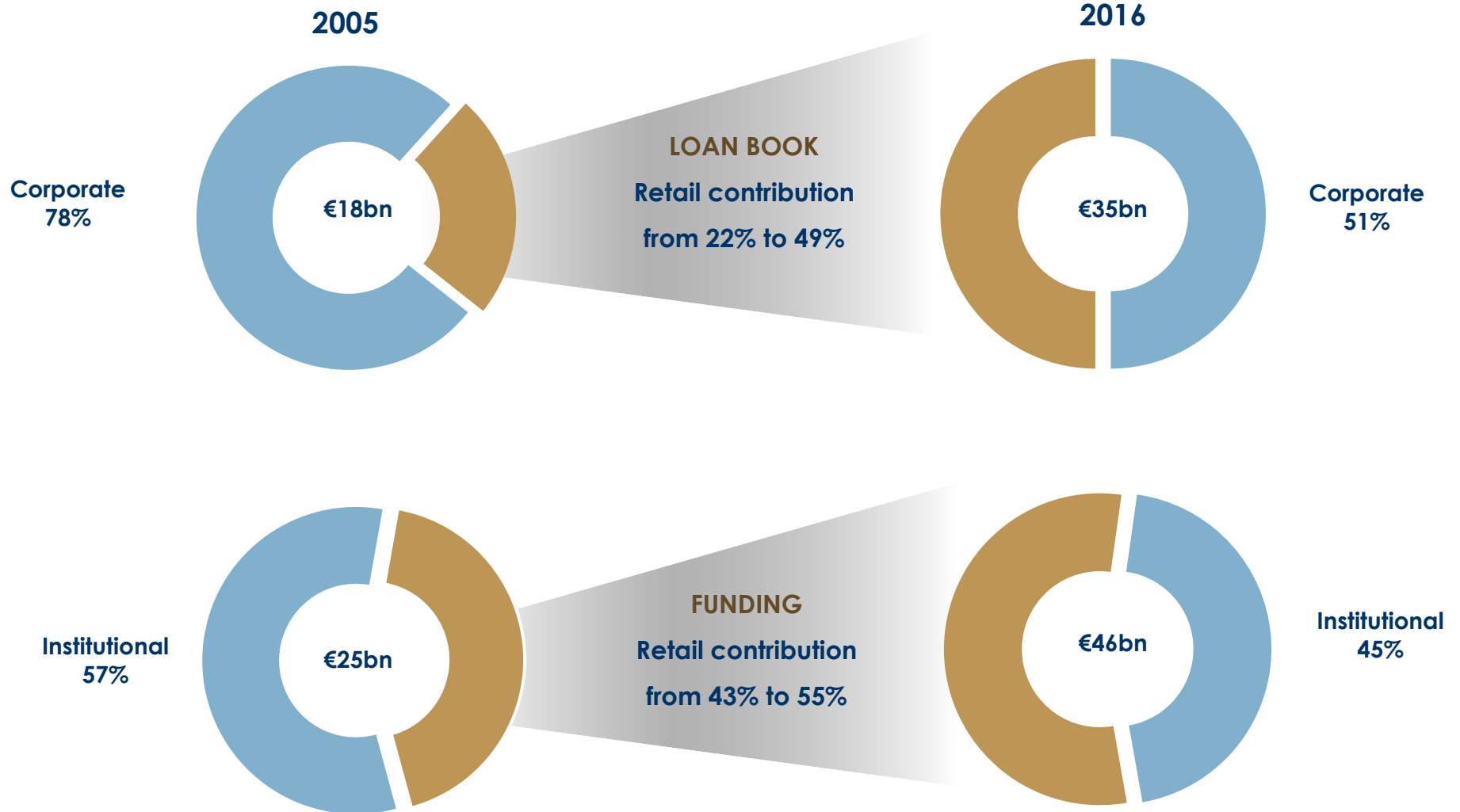
Group revenues by product and division (€m, %)



# LOANS AND FUNDS DOUBLED AND ALSO RESHAPED

Leveraging on our strengths

Section 1





# LAST 3Y BUSINESS PLAN SIMPLIFY, EXIT EQUITY

Leveraging on our strengths

Section 1

**Our 2014-2016 business plan gave further impetus to the disposal of equity investments  
and the development of banking activities**

## OBJECTIVES

**Create a  
simpler, more valuable,  
profitable business model**

**Focus on three specialized,  
growing and diversified  
banking businesses**

**Deliver  
sustainable profitability  
over the cycle**

## ACTIONS

**Reduce  
equity exposure**

**Resume growth  
at the same level of risk  
Assure K strength**

**Invest in fee-generating/  
capital-light  
banking businesses**

# ABILITY TO GROW AND BE PROFITABLE WHILE RESHAPING

Leveraging on our strengths

## Reduce equity exposure

- ◆ In last 3Y €1.5bn disposals, with €0.5bn capital gains
- ◆ Remove low earnings visibility linked to AFS equity valuation
- ◆ AG 3pp sale commenced then postponed, for market reasons

## Resume growth at the same level of risk Assure K strength

- ◆ GOP risk adj. doubled in 3Y (from €370m to €736m)
- ◆ €1.7bn cumulated net profit created, ROTE>7%
- ◆ Approx. €600m in dividends distributed
- ◆ Outstanding asset quality preserved (Texas 16%, NPL/Ls 2.9%)
- ◆ CET1 ratio >12%, Leverage ratio 10%

## Invest in fee-generating/ capital-light banking businesses

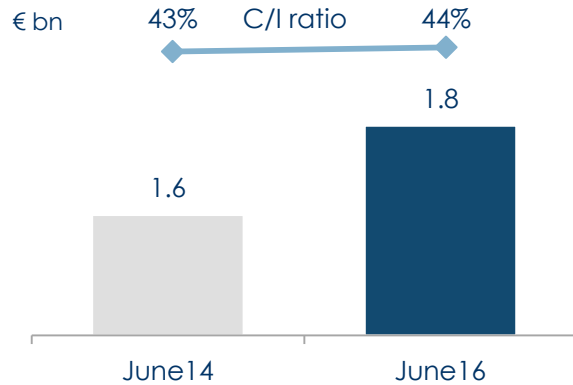
- ◆ Material investments in human resources and technology
- ◆ IB empowered in both domestic and international operations
- ◆ CheBanca! started its new mission of wealth manager
- ◆ AUM size doubled equally through organic growth and M&A

# GENERATE GROWTH BY LEVERAGING ON STRONG KPIS

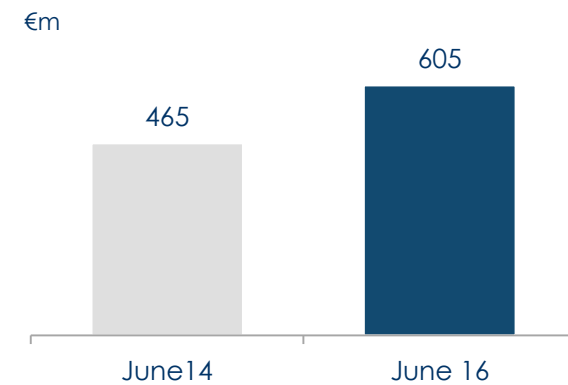
Leveraging on our strengths

Section 1

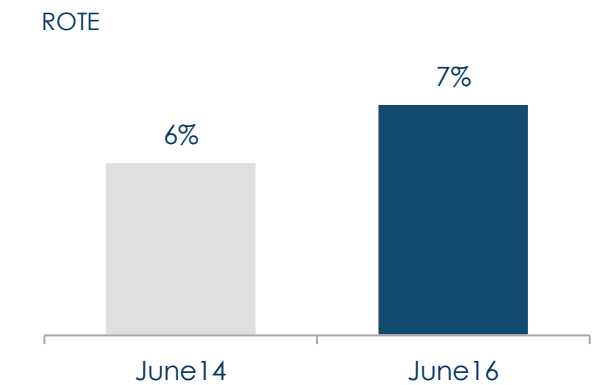
## Growing banking revenues



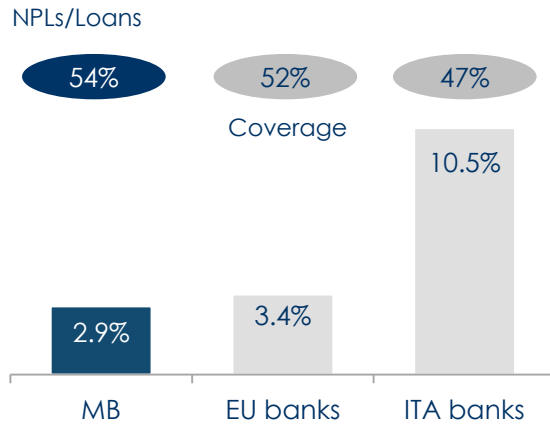
## Growing net profit



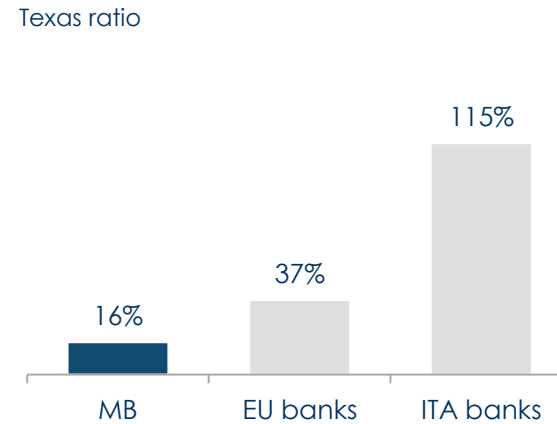
## Growing profitability



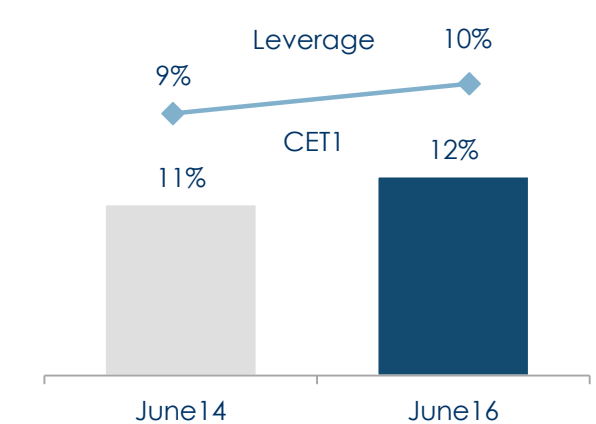
## Superior asset quality



## Superior asset quality



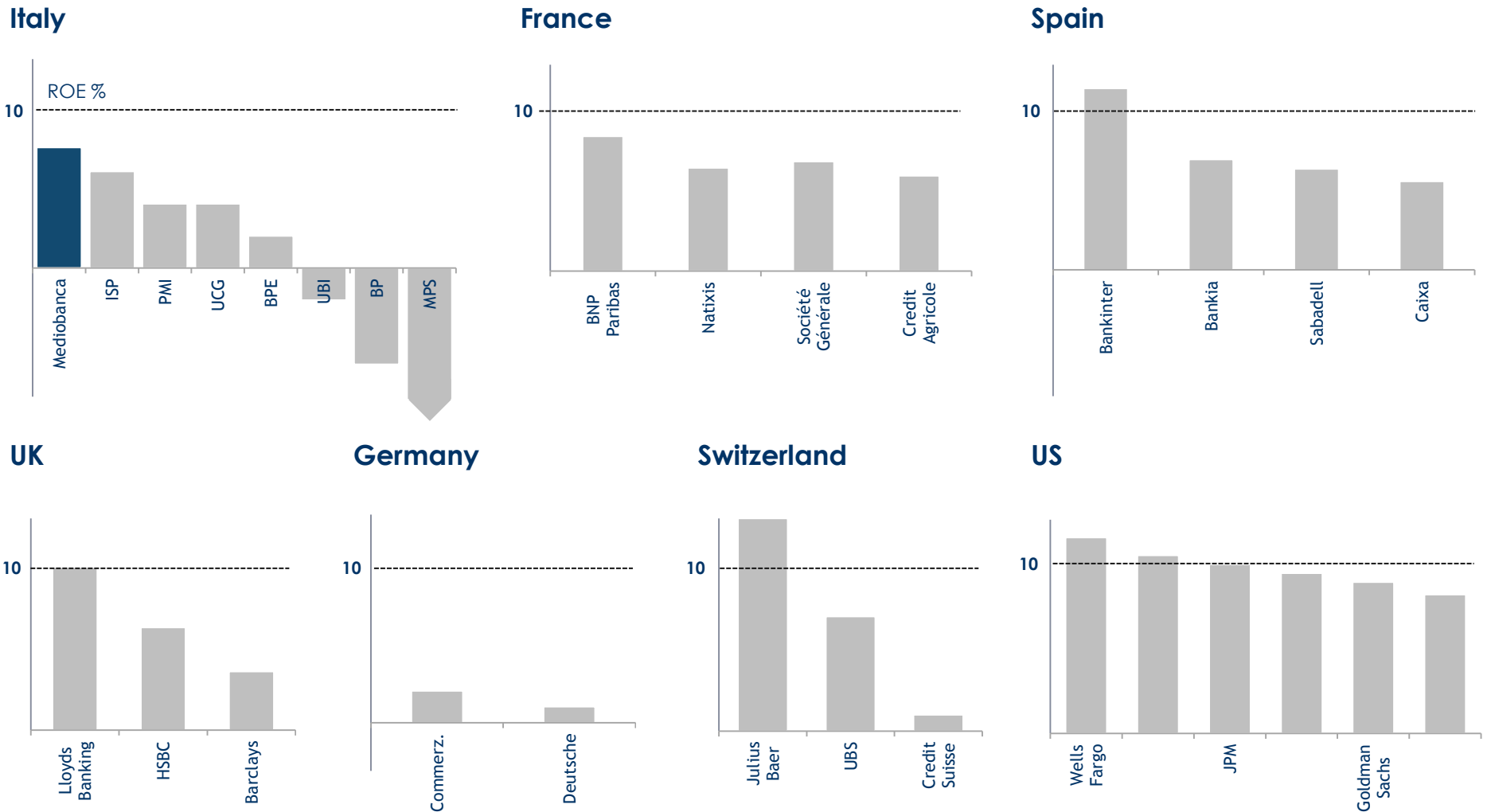
## Strong capital ratios



# MB OUTPERFORMED MOST EU BANKS BY PROFITABILITY...

Leveraging on our strengths

Section 1



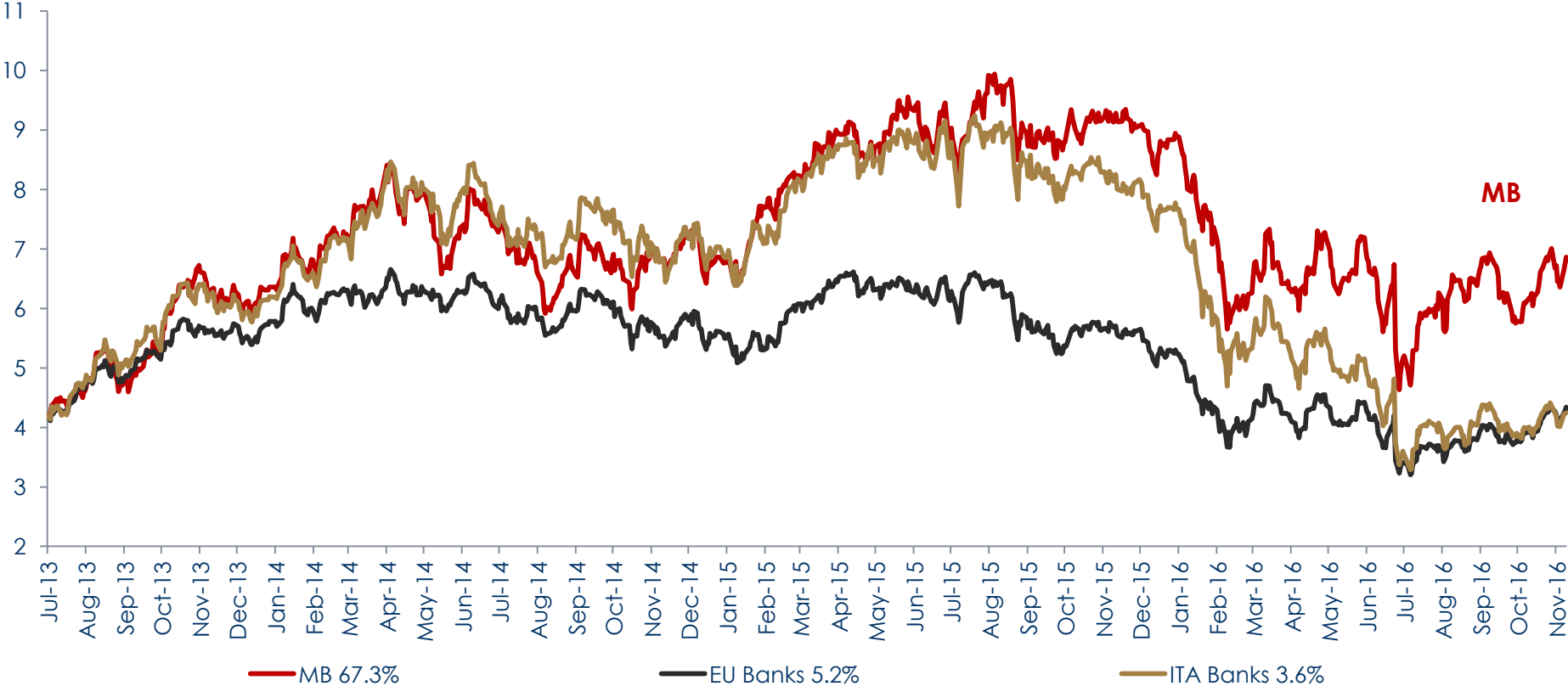
# ...AND MARKET PERFORMANCE...

Leveraging on our strengths

Section 1

## Mediobanca market performance vs ITA and EU banks

Last 3Y



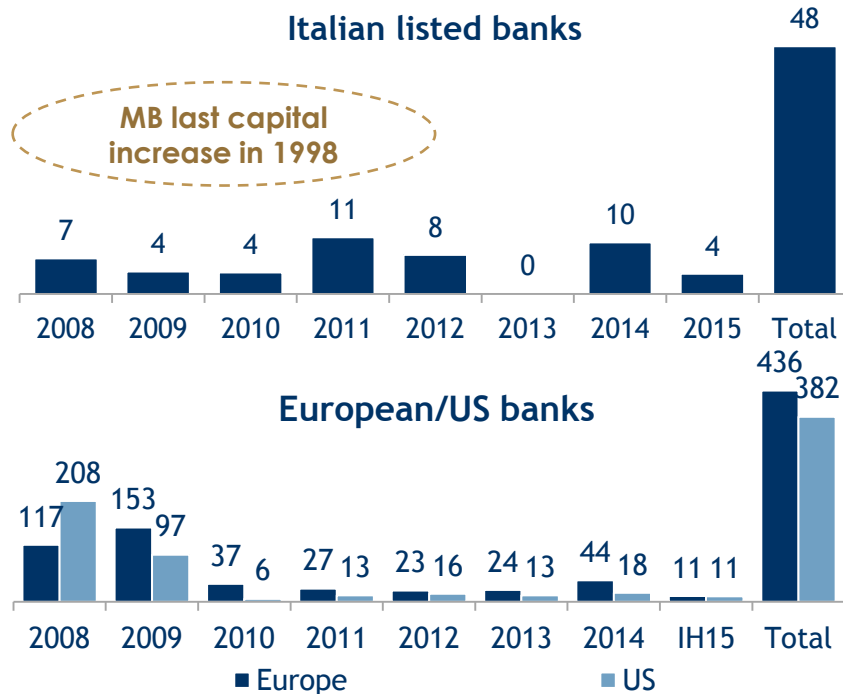
# ...WITHOUT CAPITAL INCREASES AND WHILE DISTRIBUTING DIVIDENDS

Leveraging on our strengths

Section 1

Right issues/cap. increases by banks (€bn)

Banking industry staff trends (/000)



	2008	2014	Chg.%
<b>Mediobanca</b>	<b>3</b>	<b>4</b>	<b>+17%</b>
Italy- large banks	272	216	-21%
US- large banks	1,504	1,315	-13%
Europe- large banks	2,903	2,430	-16%
UK	893	698	-22%
France	654	669	2%
Spain	343	326	-5%
Germany	234	185	-21%
Benelux	320	143	-55%

- ◆ Since 2008 Italian banks have raised €48bn of new capital, EU and US banks €436bn and €382bn respectively
- ◆ **MB has returned €1.4bn in dividends to shareholders deriving solely from internal K generation**, maintaining solid capital ratios
- ◆ Staffing levels in banking industry have shrunk considerably since 2008 while MB has increased by 17%

# AGENDA

1. Leveraging on our strengths
2. Strategic ambitions
3. Divisional action plan
4. Group targets

Annexes



MEDIOBANCA

# CURRENT ENVIRONMENT REQUIRES NEW COMPETITIVE SKILLS...

Strategic ambitions

Section 2

## NEW competitive SKILLS for being SUCCESSFUL in BANKING

### MACRO: adverse

Low GDP growth

Low interest rates

- ◆ Strong positioning in core businesses/countries
- ◆ High cost efficiency
- ◆ Strong risk selection capability

### TECHNOLOGY IMPACT: disruptive

Increasing customer awareness

Changing consumer behaviour

- ◆ Distribution: more digital, with specialized sales force in IB & WM
- ◆ Customers: increase cross selling with value-adding products

### REGULATION: severe

Capital requirement to rise

Consumer protection to increase

- ◆ High K buffer
- ◆ Low NPE and high coverage ratios
- ◆ Low conduct risk
- ◆ Correct and transparent product pricing
- ◆ Possibility to retain talent by sustainable business model and value proposition



# ...AND CREATES SUBSTANTIAL OPPORTUNITIES FOR MB

Strategic ambitions

Section 2

## Corporate & Investment Banking Specialty Finance

- ◆ Sector concentration and restructuring
- ◆ Asia “buying” Europe
- ◆ Disposal of family-owned mid caps
- ◆ Capital markets gradually replacing lending
- ◆ Increasing value of product structuring capabilities
- ◆ Financing working capital/core goods
- ◆ NPLs management

## Consumer Lending

- ◆ Market to expand, driven by changing customer behaviour and composition
- ◆ Progressive market normalization (liquidity and CoF) wiping out opportunistic operators
- ◆ M&A opportunities (from restructuring players)

## Wealth Management

- ◆ Polarization of wealth, in part due to demographic trends
- ◆ Italian households' savings to remain high
- ◆ Increasing protection needs
- ◆ M&A opportunities (from restructuring players)

**Different POSITIONING – Different CHANCES**

**SOLID banks set for GROWTH**

**WEAK banks focused on RESTRUCTURING**

# NEXT 3Y MISSION

## POSITION MB AS A LONG-TERM VALUE PLAYER

Strategic ambitions

Section 2

Our 2017-19 business plan aims to enhance the MB Group business model, reshaping it with a view to definitively upgrading MB to become a LONG-TERM VALUE PLAYER

### OBJECTIVES

Grow revenues,  
notably K-light, fee businesses

Materially improve  
banking ROAC

Confirm business model  
resilience and sustainability

### ACTIONS

1

Leveraging on strengths  
and opportunities  
in CIB and Consumer

2

Prioritize WM development,  
incl. via disciplined M&A

3

Optimize capital  
allocation and distribution

# NEW BU SEGMENTATION CONSISTENT WITH CHANGE IN STRATEGIC PRIORITIES

## Mediobanca Group

### Holding Functions

### Group ALM & Treasury

Corporate & Investment Banking (CIB)	Consumer Banking (CB)	Wealth Management (WM)	Principal Investing (PI)
<p><b>Corporate &amp; Investment Banking</b></p> <p>Mediobanca Spa</p> <p>M&amp;A, CapMkt Corporate Lending, Trading</p>	<p><b>Consumer Banking</b></p> <p>Compass</p>	<p><b>Affluent &amp; Premiere</b></p> <p>CheBanca!</p>	<p><b>Principal Investing</b></p> <p>Ass. Generali AFS stake ptf</p>
<p><b>Specialty Finance</b></p> <p>Factoring – MB Facta Credit Mgt - Creditech</p>		<p><b>Private &amp; HNWI</b></p> <p>Banca Esperia CMB Spafid</p>	
		<p><b>Mediobanca AM</b></p> <p>Cairn, Duemme, CMG</p>	

*Corporate  
client business*

*Consumer  
client business*

*AUA/AUM driven  
client business*

*Proprietary  
equity stakes*



# VISIBLE, VALUABLE, DIVERSIFIED BUS WM SIZEABLE AND SCALABLE

## Mediobanca Group

Corporate & Investment Banking (CIB)			Consumer Banking (CB)			Wealth Management (WM)			Principal Investing (PI)		
Revenues	625m	28%	Revenues	870m	39%	Revenues	475m	21%	Revenues	280m	12%
GOP	350m	47%	GOP	245m	33%	GOP	50m	7%	GOP	280m	38%
Loan book	15bn	40%	Loan book	11bn	29%	Loan book	10bn	25%			
						TFA <sup>2</sup>	57bn	100%			
						of AUM	38bn	100%			
RWA	27bn	49%	RWA	11bn	20%	RWA	6bn	11%	RWA	7bn	12%
C/I ratio	38%		C/I ratio	31%		C/I ratio	85%		C/I ratio	nm	
ROAC	9%		ROAC	16%		ROAC	8%		ROAC	17%	

Holding Functions (HF)		
Revenues	-5m	n.m.
Loan book	2bn	6%
RWA	4bn	8%

### MB Group

Revenues	2.2bn
GOP	0.7bn
Loan book	38bn
TFA <sup>2</sup>	57bn
RWA	55bn
C/I ratio	47%
ROTE	7.4%



# PLAYING OUR NEXT 3Y PRIORITIES...

Strategic ambitions

Section 2

1

**Leveraging on strengths  
and opportunities  
in CIB and Consumer**

- ◆ **CIB: enhance** client **coverage** in specific industries, sectors, customers segments
- ◆ **SF: exploit opportunities** in factoring and credit management
- ◆ **Consumer: enduring growth** with an enlarged distribution

2

**Prioritize WM development,  
incl. via disciplined M&A**

- ◆ **Integrate** and **develop** recently-acquired companies
- ◆ **Serve Affluent & Premier clients of CB!** with innovative offering (both proprietary and building FAs) **and Private & HNWI with new brand MB Private, Spafid and CMB**
- ◆ **Create** and develop a **Group AM factory**
- ◆ **Investing up to 200bps of CET1 in M&A opportunities**

3

**Optimize capital  
allocation and distribution**

- ◆ **Further reduce equity-stakes** (PI, especially AG)
- ◆ **Proactive ROAC-driven capital use** in all products and businesses
- ◆ **Adoption of Advanced Model** on large corporate, consumer credit, mortgage portfolios

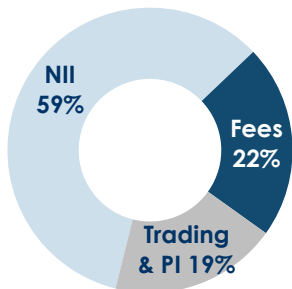
# ...WILL MAKE US STRONGER IN INCOME GENERATION & DIVERSIFICATION...

Strategic ambitions

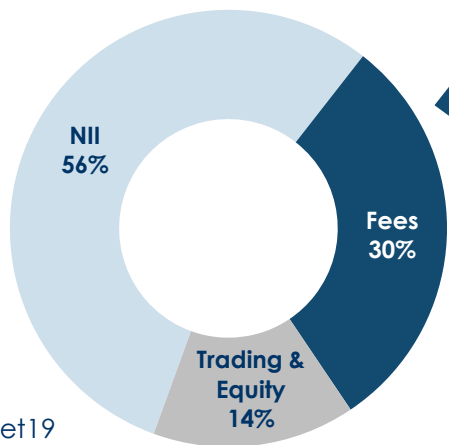
Section 2

## Growing revenues

FY16:  
€2bn



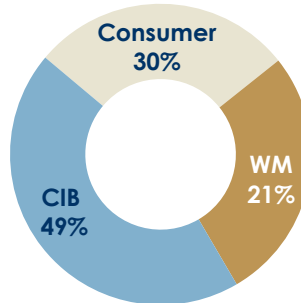
### Fees up to 30% of total income



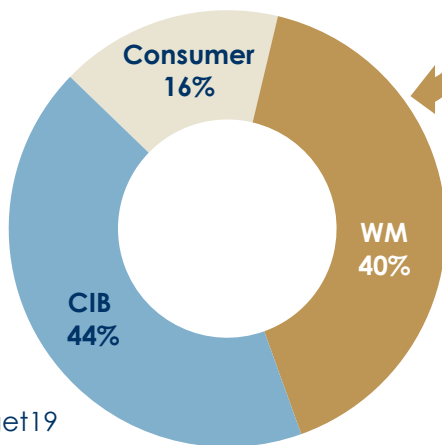
Target19

## Growing fees contribution

FY16:  
€0,5bn



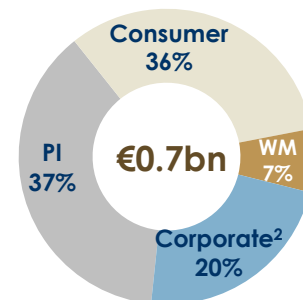
### WM up to 40% of total fees



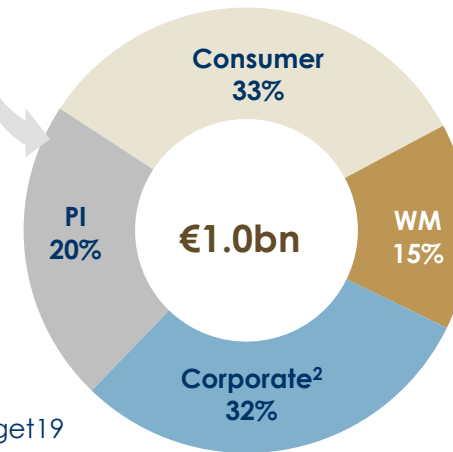
Target19

## Growing GOP<sup>1</sup>, more diversified

FY16



### Wider GOP<sup>1</sup> diversification



Target19

# ...STRONGER IN PROFITABILITY AND SOLIDITY

Strategic ambitions

Section 2

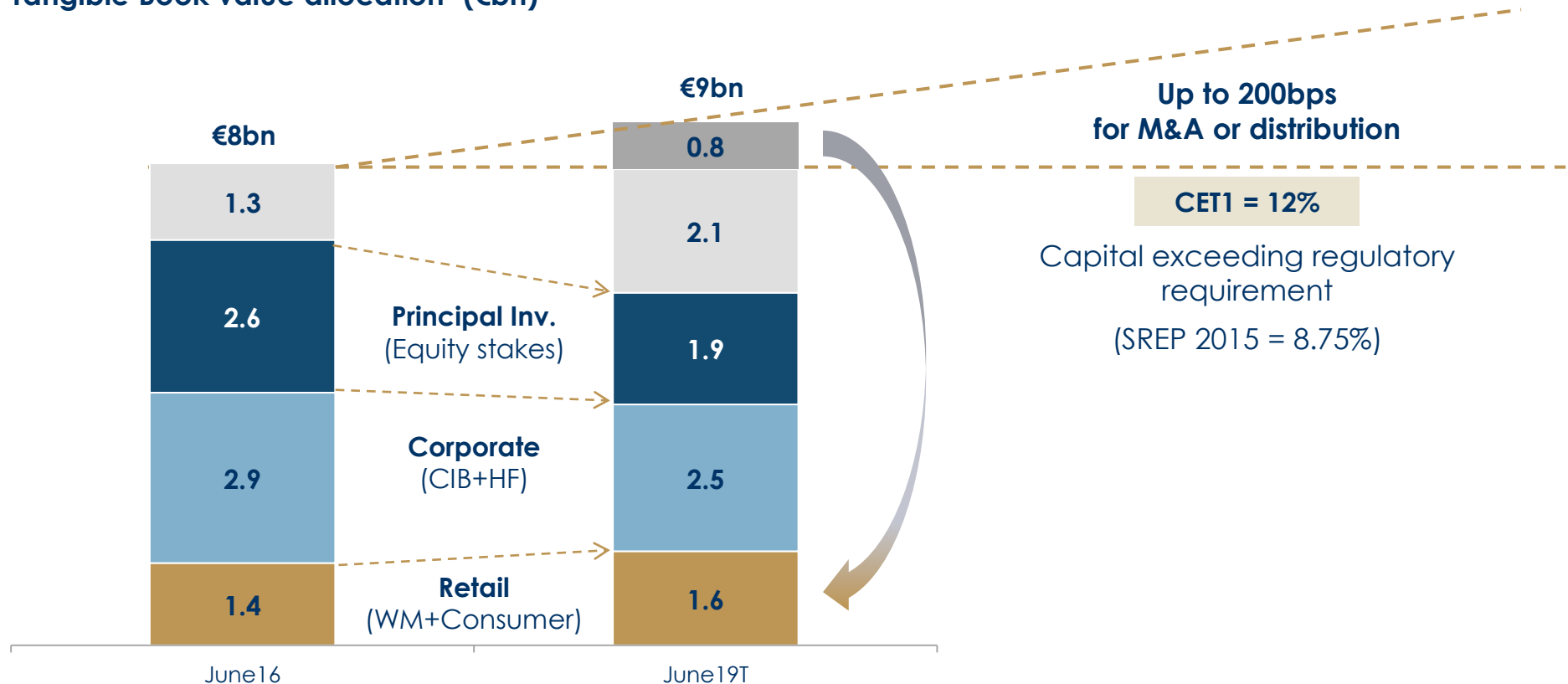
ROAC <sup>1</sup>	FY16	FY19 target
<b>GROUP RATE</b>	<b>7%</b>	<b>10%</b>
<b>BANKING ROAC<sup>2</sup></b>	<b>5%</b>	<b>12%</b>
<b>CIB</b>	<b>9%</b>	<b>13%</b>
<b>Consumer Lending</b>	<b>16%</b>	<b>20%</b>
<b>Wealth Management</b>	<b>8%</b>	<b>20%</b>
<b>Principal Investing</b>	<b>17%</b>	<b>12%</b>
<b>Holding Functions</b>	<b>neg</b>	<b>neg</b>
RATIOS	FY16	FY19 target
<b>CET1</b>	<b>12%</b>	<b>14%</b>
<b>Total Capital</b>	<b>15%</b>	<b>18%</b>
<b>Leverage</b>	<b>10%</b>	<b>9%</b>
<b>NSFR</b>	<b>&gt;100%</b>	<b>&gt;100%</b>
<b>LCR</b>	<b>&gt;100%</b>	<b>&gt;110%</b>
<b>NPLs/Loans</b>	<b>&lt;3%</b>	<b>stable</b>

# ...STRONGER IN CAPITAL GENERATION & ALLOCATION

Strategic ambitions

Section 2

Tangible Book value allocation<sup>1</sup> (€bn)



- ◆ More capital allocated to WM and Consumer, less to Equity (PI), Corporate becoming more efficient
- ◆ Capital above regulatory buffers up to stay high, excess K to be reallocated



# AGENDA

1. Leveraging on our strengths

2. Strategic ambitions

3. Divisional action plan

3A. Corporate & Investment Banking

3B. Consumer Banking

3C. Wealth Management

3D. Principal Investing

3E. Holding Functions

4. Group Targets



MEDIOBANCA

# CORPORATE & INVESTMENT BANKING

Section 3B

**Corporate & Investment  
Banking (CIB)**

**Corporate & Investment  
Banking**

**Specialty Finance**

# CIB

## CLIENT-DRIVEN, PROFITABLE, SPECIALIZED BUSINESS

Divisional action plan. CIB

Section 3A

**For over 70 years MB has helped its clients to grow,  
with high-quality advisory services and credit solutions**

**Today, we are the leading IB in Italy and have an expanding presence in Europe and beyond**

**In recent years CIB client business has been highly resilient<sup>1</sup> despite the crisis**

due to

### SPECIFIC STRENGTHS

**Strong brand recognition  
and trustworthiness**

**Client-centred organization:  
lean structure, attractive to talent, fast  
decision-taking**

**Senior and experienced client  
coverage at CEO levels**

**Client-driven business<sup>1</sup>  
Focus on large-top/mid caps  
Strong resiliency**

**Outstanding risk-assessment,  
underwriting capabilities**

**Excellent asset quality<sup>2</sup>  
Low operational gearing<sup>3</sup>**

1) In the last five years revenues from client business have always been in the €550m/€620m per annum range

Revenues from client business equal to 90% of total revenues for MB CIB

2) CIB: bad loans equal to zero

3) C/I ratio below 40% for MB CIB



# NEXT 3Y IN CIB

## INCREASE FURTHER PROFITABILITY

Divisional action plan. CIB

Section 3A

Our 2017-2019 business plan aims to increase CIB profitability further

### OBJECTIVES

Strengthen MB positioning  
in Italy and EU

Exploit  
new market opportunities

Reduce  
RWA density

### ACTIONS

1

Empowered client coverage  
Build up a MidCap platform

2

Higher integration  
within MB Group business

3

Focus on high ROAC products  
Intense RWA analysis  
AIRB adoption

# STRENGTHEN MB POSITIONING IN ITALY AND EU

Divisional action plan. CIB

Section 3A

**MB aims to become a leading investment bank in Italy and in selected European countries, providing high quality advisory services, capital raising and financing solutions to support our clients in their domestic and cross-border transactions**

## ACTIONS

**Take advantage of expected consolidation in sectors with specific expertise, such as FIG, Infrastructure, Energy, TMT, Branded Goods**

**Increase mkt share in cross-border transactions  
Capitalize on industry expertise  
to cover non-domestic markets more effectively**

**Prepare to exploit markets and rates rebound notably in acquisition finance**

**Focus on high ROAC products  
Shift to K-light ones,  
asset-intensive focus on CMS**

**Increase product cross-selling with clients  
within the MB CIB platform  
within MB Group companies**

**Maintain control of costs and asset quality**

# IMPROVE PROFITABILITY CAPITAL-LIGHT PRODUCTS

Divisional action plan. CIB

Section 3A

## CF, ECM, DCM, Eq. Sales

### Italy

- ◆ **New management responsibilities in place** (Country and Product Heads), streamlined organization across the company
- ◆ **Focus on client coverage** to increase wallet share/productivity and expand client base
- ◆ Exploit **synergies** with PB/WM and capital-intensive products

### EU markets

- ◆ **New leadership to integrate countries and products teams more effectively**
  - ◆ Develop selected pan-European industry practices in addition to FIG to support coverage
  - ◆ Increase cross-border M&A activity and product cross-selling
- ◆ **Expand IPO and capital raising business in EU markets**
- ◆ **Take EU branches up to full speed**, with staff added during 2013-16 plan
- ◆ **Expand Equity Sales** in secondary markets

### Other initiatives

- ◆ **Non-EU:** develop selected partnerships to support core clients (USA, China, Latam)
- ◆ **Financial Sponsors Coverage** across industries and countries on the back of team built during the 2013-16 Business Plan
- ◆ **FIG** to further develop outside Italy
- ◆ Maintain **strict control on cost/income**

# IMPROVE PROFITABILITY CAPITAL-INTENSIVE PRODUCTS

Divisional action plan. CIB

Section 3A

## Lending and Structure Finance (LSF), Capital Market Solutions (CMS)

### Management actions

### Regulatory-driven actions

Italy

- ◆ Maintain asset quality and increase ROAC
- ◆ New products development (CMS)
- ◆ **Expand event-driven business and synergies with Corporate Finance**

- ◆ **Re-focusing RWA use**
- ◆ Towards more attractive risk-reward profiles
- ◆ With shorter/lower balance-sheet absorption (higher focus on secondary market)
- ◆ While cutting RWA consumption from legacy trades
- ◆ CIB loan book CAGR +3% to €16bn

EU markets

- ◆ **Exploit all cross-selling** opportunities descending from capital intensive products
- ◆ **Improve local product coverage** to originate and develop market opportunities
- ◆ **Expand event-driven business** and synergies with Corporate Finance

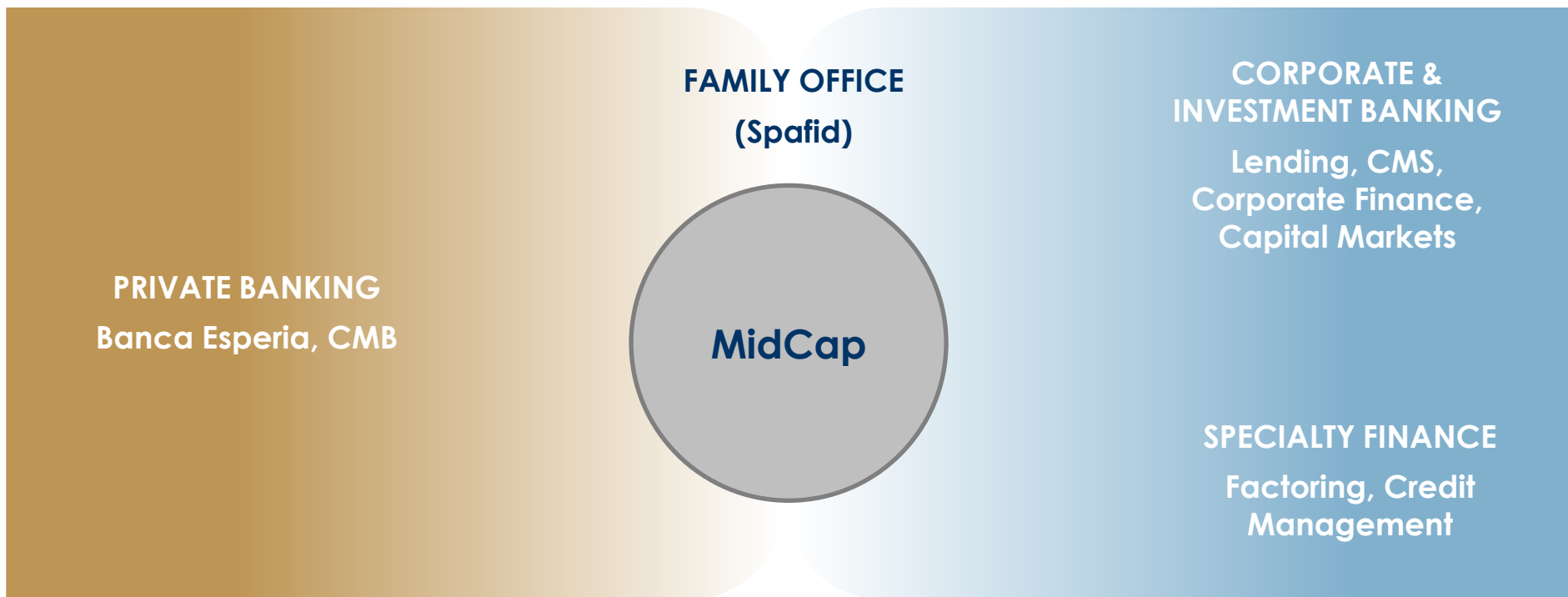
- ◆ **Adoption of Advanced Models by year-end 2017**

# LEADING IB FOR MIDCAPS

## COMBINING CORPORATE FINANCE & PERSONAL WEALTH SOLUTIONS

Divisional action plan. CIB

Section 3A



- ◆ **More pro-active and efficient client coverage exploiting the range of MB products and services**
- ◆ **Increase synergies within Mediobanca Group:** Family Office (Spafid), Private Banking (Banca Esperia, CMB), Specialty Finance (Factoring, Creditech, Leasing)
- ◆ **Leverage on EU advisory bankers and branches** to support Mid Caps in Inbound and outbound transactions

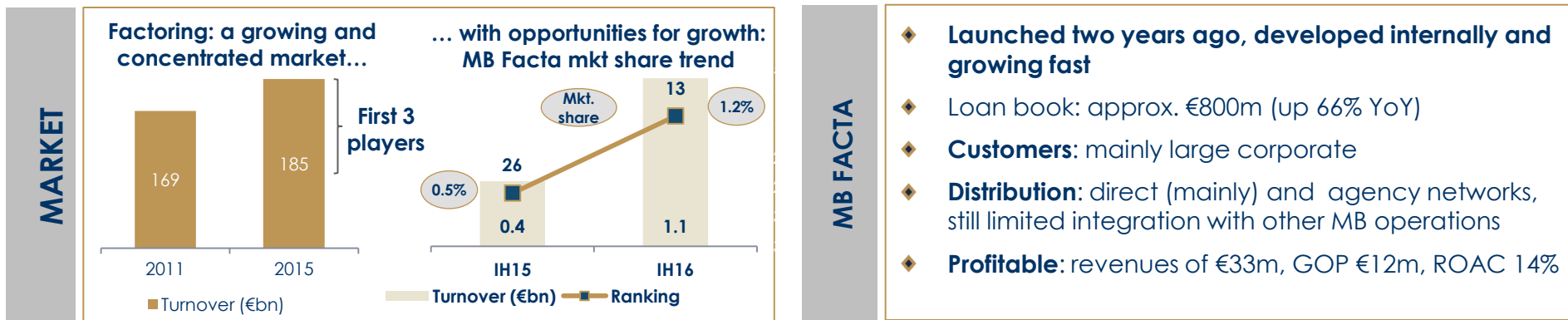


# FACTORING

## KEEP ON GROWING EXPLOITING MARKET OPPORTUNITIES

Divisional action plan. CIB

Section 3A



- ◆ **Launched two years ago, developed internally and growing fast**
- ◆ **Loan book:** approx. €800m (up 66% YoY)
- ◆ **Customers:** mainly large corporate
- ◆ **Distribution:** direct (mainly) and agency networks, still limited integration with other MB operations
- ◆ **Profitable:** revenues of €33m, GOP €12m, ROAC 14%

**In next 3Y MB Facta aims to become a top ten operator leveraging on market space and its proven capabilities**

### OBJECTIVES

**Increase volumes and size**

**From ancillary to valuable product for Mediobanca corporate clients**

**Seize new opportunities (clients/distribution/M&A)**

### ACTIONS

**Full integration with MB lending offer**

**Enlarge distribution agreements (third-party networks and banks)**

**Enlarge customer base (Mids – PA)**

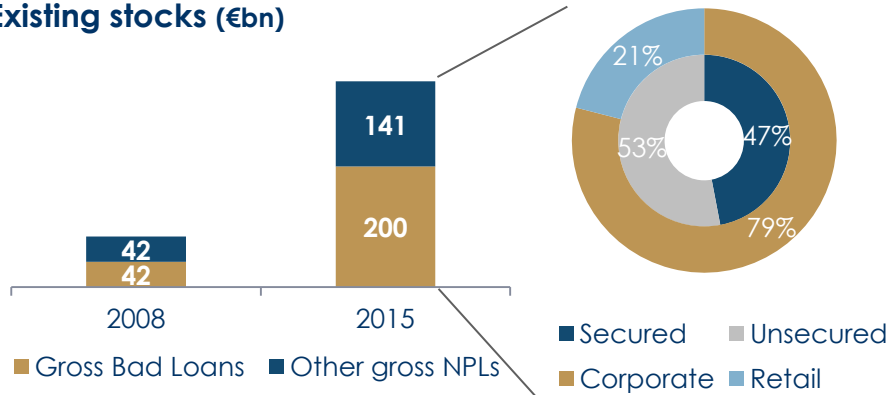
# EXPLOIT SIZEABLE ITALIAN NPL MARKET: MB POSITIONING

Divisional action plan. CIB

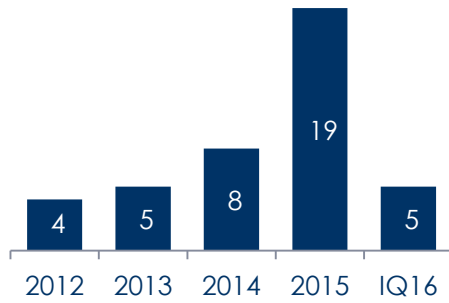
Section 3A

## NPLs: the new Italian paradigm<sup>1</sup>

Existing stocks (€bn)

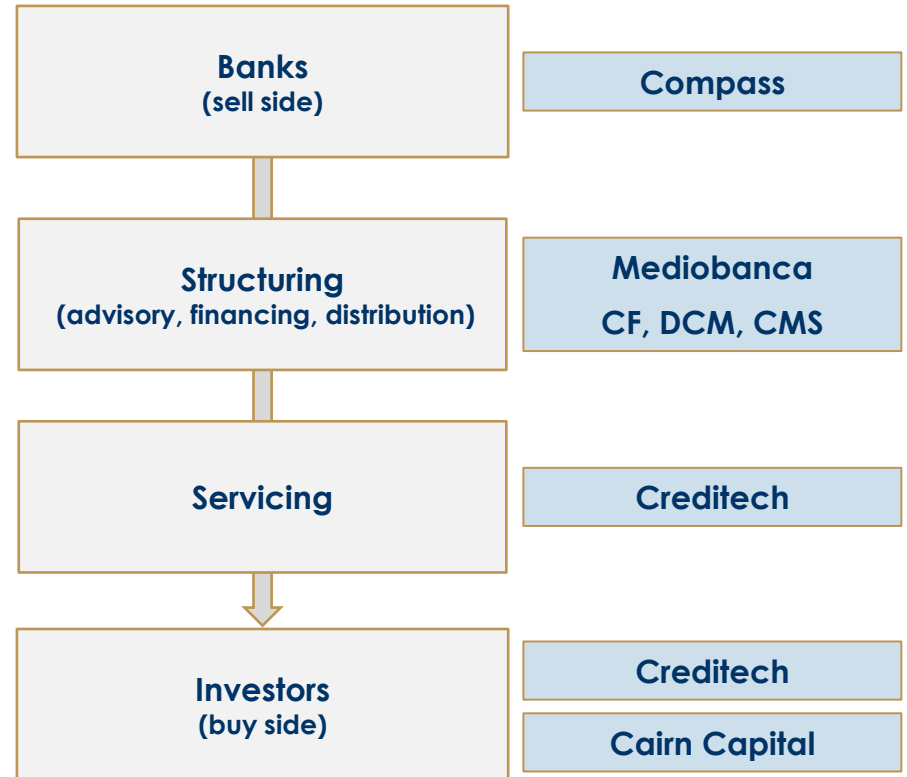


NPLs transaction in Italy (€bn)



■ NPLs transactions in Italy

## ... and opportunities for Mediobanca



1) PwC: "The Italian NPL market"



# CREDIT/NPLS MANAGEMENT TIME TO LEVERAGE LONGSTANDING SKILLS

Divisional action plan. CIB

Section 3A

## CREDITECH TODAY

- ◆ **Longstanding but still small business** both **captive** (Compass) and on **open market**
- ◆ Three areas of operations: **credit management, NPLs purchase, NPLs servicing**
- ◆ Current focus: retail unsecured loans
- ◆ **High profitable, low K-intensive business:** revenues €24m, GOP €10m, ROAC ~40%, PTF €70m, GBV €1,4bn

**In next 3Y Creditech aims to become a specialized player in credit management and NPLs, leveraging on market space and its proven capabilities**

### OBJECTIVES

- ◆ **Exploit ITA NPLs long wave**
- ◆ **Enhance effectiveness**
- ◆ **Grow business with M&A**

### ACTIONS

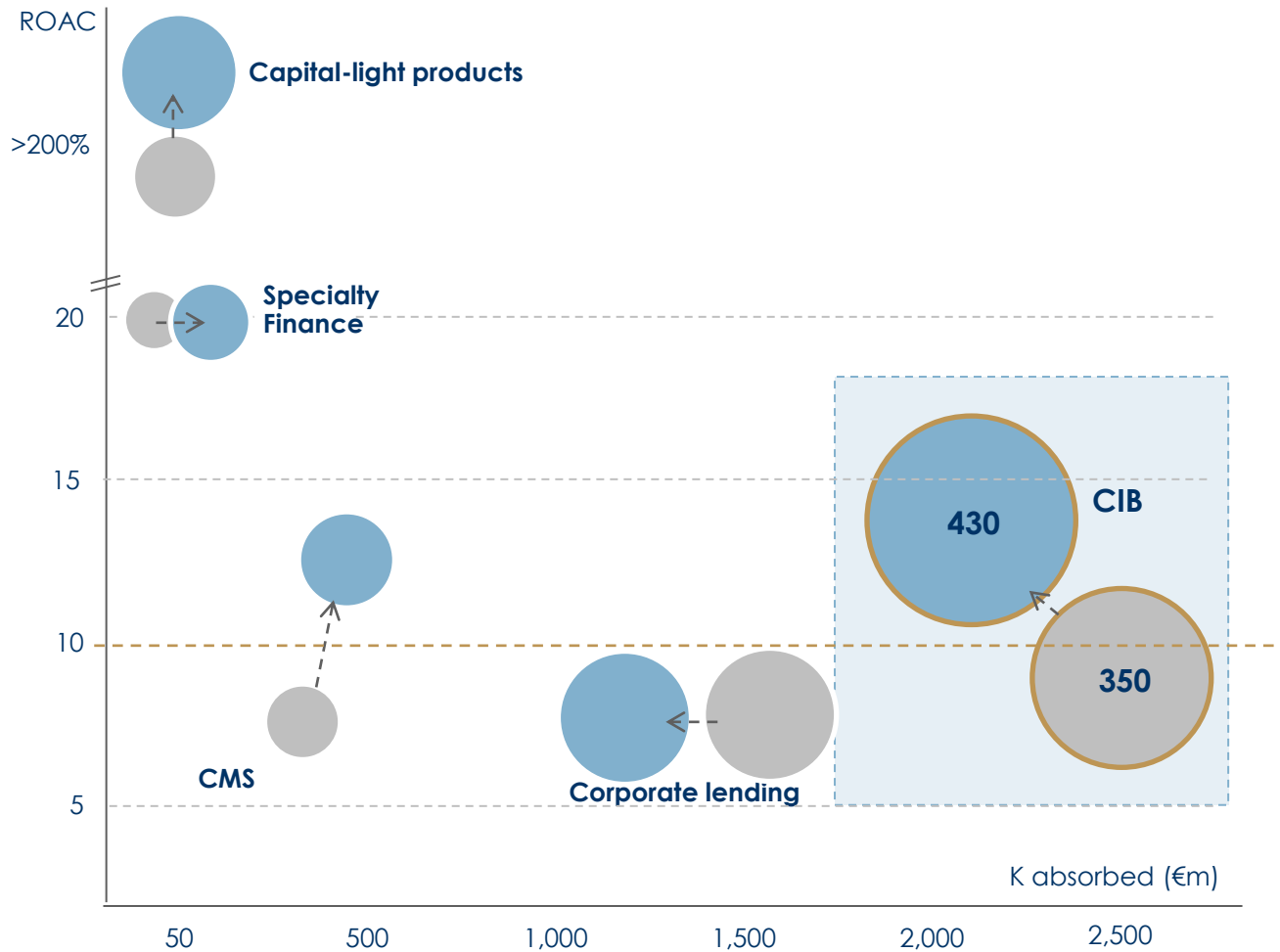
- ◆ **Entering secured market and corporate segment**
- ◆ **Increase inhouse phone collection, optimize third-party fee scheme**
- ◆ **Keep discipline and selective growth in NPLs acquisitions**

# 3Y CIB TARGETS

## FOCUS ON ROAC AND K ALLOCATION

### Divisional action plan. CIB

### Section 3A



- ◆ **PROJECTED GROWTH for:**
  - ◆ **CF:** new fully integrated organization between industry teams and countries; specific focus on Italian mid-corporate
  - ◆ **CMS:** new products development, higher returns
  - ◆ **ECM:** consolidate expansion in selected other EU markets
  - ◆ **DCM:** bigger role in ABS market
  - ◆ **Equity Sales:** enlarged client base, deeper penetration
  - ◆ **Specialty finance:** boost NPLs management and factoring
  - ◆ **STABLE BUSINESS for LSF:** stable high single-digit ROAC with reduced RWAs

# CIB FINAL TAKEWAYS

## FURTHER BOOST PROFITABILITY

Divisional action plan. CIB

Section 3A

### CIB TODAY

- ◆ Client-driven, highly specialized, niche business
- ◆ Leading Italian IB, established role in EU
- ◆ No downside risk given high cost efficiency, superior asset quality, no conduct risk
- ◆ Good profitability (ROAC 9%)
- ◆ Set for cycle rebound and new initiatives launch

### CIB 2019 STRATEGIC GOALS

- ◆ Stronger positioning in core markets, primarily Italy, in IB services
- ◆ Become the leading full-service operator for Italian midcaps
- ◆ Exploit opportunities in Specialty Finance
- ◆ Improve profitability by boosting revenues and reducing RWA density (ROAC 13%)

	June16	June19T	3Y CAGR
GOP <sup>1</sup> €m	350	430	+7%
Loans €bn	15	18	+6%
RWA €bn	27	25	-3%
CoR <sup>2</sup>	25bps	45bps	+20bps
<b>ROAC</b>	<b>9%</b>	<b>13%</b>	<b>+4pp</b>

# CONSUMER BANKING

Section 3B

<b>Consumer Banking (CB)</b>
<b>Consumer Banking Compass</b>



# COMPASS

## A PIONEER, INNOVATIVE, PROFITABLE OPERATOR...

Divisional action plan. Consumer Banking

Section 3B

**Compass Banca has been a pioneering force in consumer credit in Italy since 1951**

**Today it is among the top three operators in Italy, in a profitable and high entry barrier industry**

In recent years Compass has delivered impressive growth

due to

### SPECIFIC STRENGTHS

**Strong brand recognition  
and trustworthiness**

**Sizeable customer base (2.2  
million) with high level of  
satisfaction**

**Strongly-integrated distribution  
(direct and indirect)**

**Outstanding scoring  
and pricing capabilities**

**Excellent asset quality  
and industrialized collection**

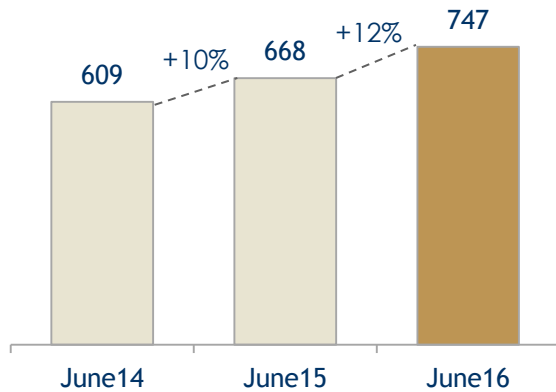
**Risk-adjusted returns the sole  
relevant metric for decisions**

# ...STEADILY DELIVERING AMAZING GROWTH

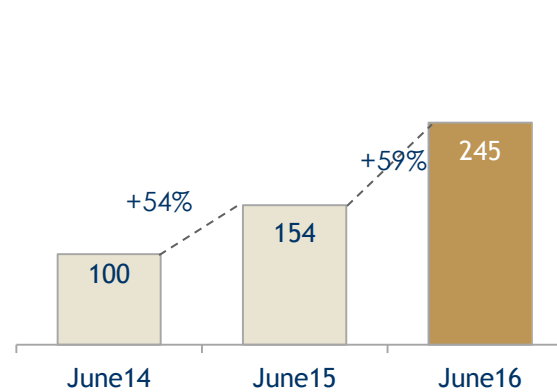
Divisional action plan. Consumer Banking

Section 3B

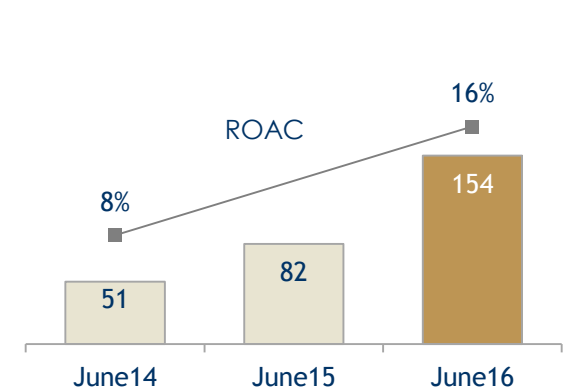
Compass: NII growth (€m)



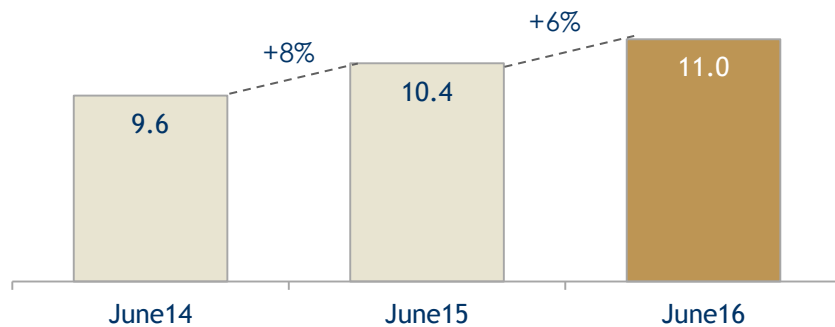
Compass: GOP risk adj<sup>2</sup> (€m)



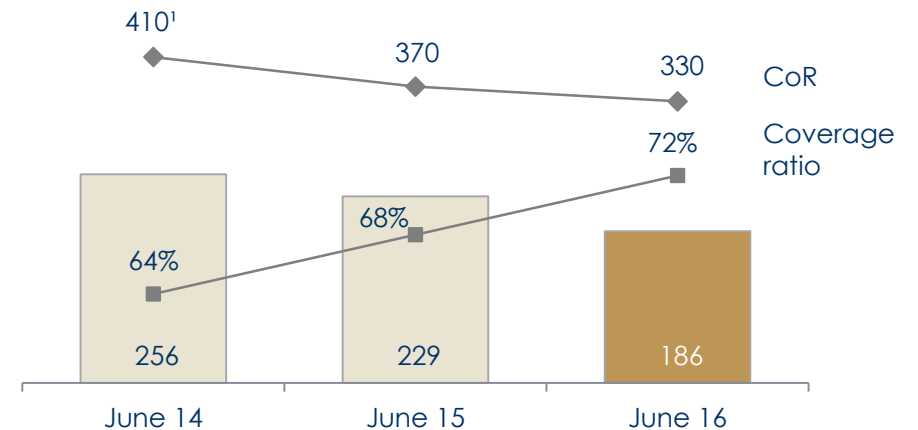
Compass: net profit (€m), ROAC



Loans (€bn)



Net NPLs, coverage ratio, CoR trend (€m, %)



1)  $CoR = (LLPs - LLPs \text{ for AQR}) / \text{Avg. loans}$   
 2)  $GOP \text{ risk adjusted} = GOP - LLPs$





# NEXT 3Y IN COMPASS KEEP GROWING

Divisional action plan. Consumer Banking

Section 3B

In next three year Compass aims to keep revenues and profitability steadily growing  
leveraging on its proven strong capabilities

## OBJECTIVES

**CONSOLIDATE  
POSITIONING**

**EXPLOIT  
NEW OPPORTUNITIES**

**IMPROVE  
PROFITABILITY**

## ACTIONS

1

**Delivery**

empower distribution network

2

**Innovation**

in product and channels

3

**Value management**

the sole guide

# CONSOLIDATE POSITIONING INCREASING DIRECT DISTRIBUTION

Divisional action plan. Consumer Banking

Section 3B

## PROPRIETARY - DIRECT DISTRIBUTION

### OBJECTIVES

- ◆ Enlarge direct distribution...
- ◆ ...in an innovative way...
- ◆ ...at variable costs...
- ◆ ...preserving strong Compass pricing and risk assessment

### ACTIONS: set up

- ◆ Franchising network (25)
- ◆ Light branches (10)
- ◆ Digital platform for
  - ◆ price-seekers customers
  - ◆ e-commerce market place

## INDIRECT DISTRIBUTION

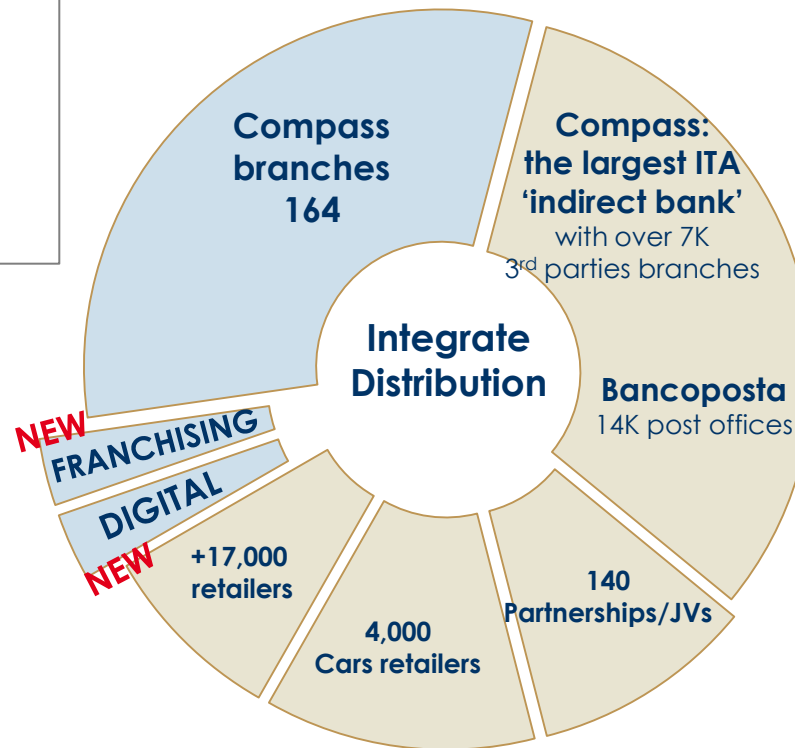
### OBJECTIVES

- ◆ ring-fencing
- ◆ preserving loyalty

### ACTIONS

Integrated commercial strategies based on:

- ◆ operational excellence (time-to-approval and approval rate)
- ◆ integration of Compass distribution with bank proprietary platforms



## INNOVATION

## New Products

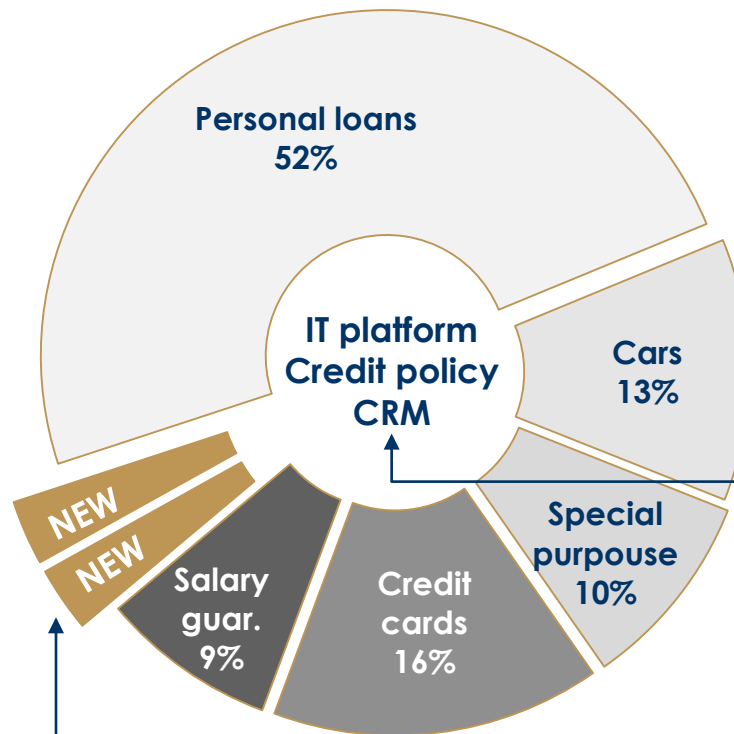
## New products to:

- ◆ leverage direct channels
- ◆ increase customer experience
- ◆ attract new customers to fulfill credit policies

**Services to large retailers**  
(also PayPal, Amazon, Ebay ..).  
Guarantee/credit acquisition  
on installment sales

“**Rechargeable loan**” to effortlessly  
deliver top-up disbursements on  
alive-loans

“**Ready at home**” loan to reach  
and maximize profitability on  
remote clients with direct  
marketing



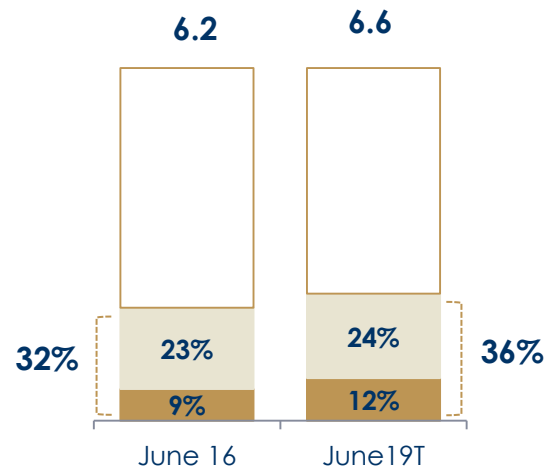
## New tools

## Continuous enhancement of risk assessment process:

- ◆ **new generation of credit scoring model** to maximize repeat business return
- ◆ **develop new score card on employer** (first in Italy)
- ◆ analyzing «**big data**» opportunities

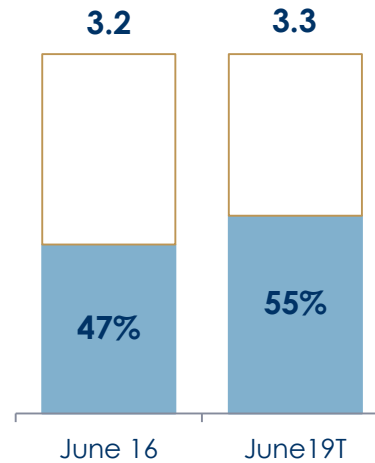
## VALUE MANAGEMENT

New loans by product (€bn, %)



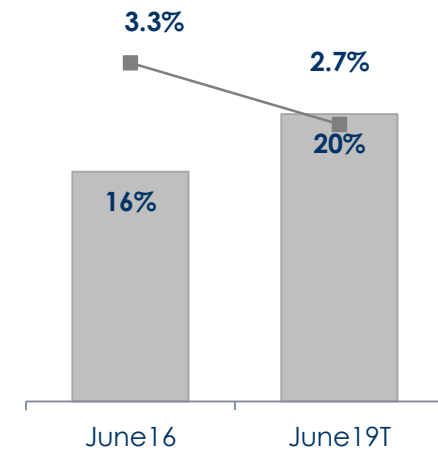
■ Salary guaranteed ■ Finalized & Car  
□ Personal Ls & Cards

New personal loans by channel (€bn)



■ Direct □ Indirect

ROAC and CoR (€bn, %)



■ ROAC ■ CoR

◆ **Manage CoR incl. through higher proportion of lower risk loans** (salary guaranteed, finalized and car loans)

◆ **Increase value of PLS through direct channel higher contribution** ("value" of PL originated through direct channel 2x that of indirect)

◆ **Superior asset quality:** net Bad Loans / Loans at 0.15%  
◆ **Clean balance sheet<sup>1</sup>**

# CONSUMER BANKING FINAL TAKEWAYS

## KEEP GROWING

Divisional action plan. Consumer Banking

Section 3B

### COMPASS TODAY

- ◆ Top Italian consumer credit operator
- ◆ Client-driven, highly specialized business
- ◆ Cost efficient structure, superior asset quality
- ◆ Countercyclical business
- ◆ Driver of Group NII growth (>60% of total)
- ◆ ROAC 16%<sup>1</sup>

### COMPASS 2019 STRATEGIC GOALS

- ◆ Keep revenues and profitability growing, leveraging primarily on excellent pricing capabilities
- ◆ Strengthen positioning in Italy
- ◆ Innovating in products and distribution
- ◆ Managing new IFRS 9 introduction
- ◆ ROAC 20%

	June16	June19T	3Y CAGR
GOP <sup>1</sup> €m	245	330	+10%
Loans €bn	11.0	12.6	+5%
RWA €bn	11	12	+3%
CoR	330bps	270bps	-60bps
<b>ROAC</b>	<b>16%</b>	<b>20%</b>	<b>+4pp</b>

# WEALTH MANAGEMENT

Section 3C

**Wealth Management  
(WM)**

**Affluent & Premier**

**Private & HNWI**

**Mediobanca AM**

# NEXT 3Y IN WM BECOME A SIZEABLE WM PLAYER

Divisional actions plan. WM

Section 3C

In next three years Mediobanca aims to prioritize the development of a sizeable WM platform leveraging on the existing and new customer base (affluent, premier, private and HNWI), selecting qualitative presence in the AM factory and further enhancing its innovative offering (fair, technology-driven, compliant with imminent stringent regulations)

## OBJECTIVES

**AFFLUENT & PREMIER**  
Innovative offer

**PRIVATE & HNWI**  
Play the role in core markets

**MEDIOBANCA AM FACTORY**  
Integrate and develop

## ACTIONS

**CheBanca!**  
Invest massively  
in distribution and innovation

**Leverage**  
- MB brand-new offer in Italy  
- CMB presence in Monaco

**Upgrade existing factories**  
Invest in new capabilities

**INVEST UP TO 200BPS OF CAPITAL IN M&A**

# CHEBANCA!

Section 3C

**Wealth Management  
(WM)**

**Affluent & Premier**  
CheBanca!

**Private & HNW**

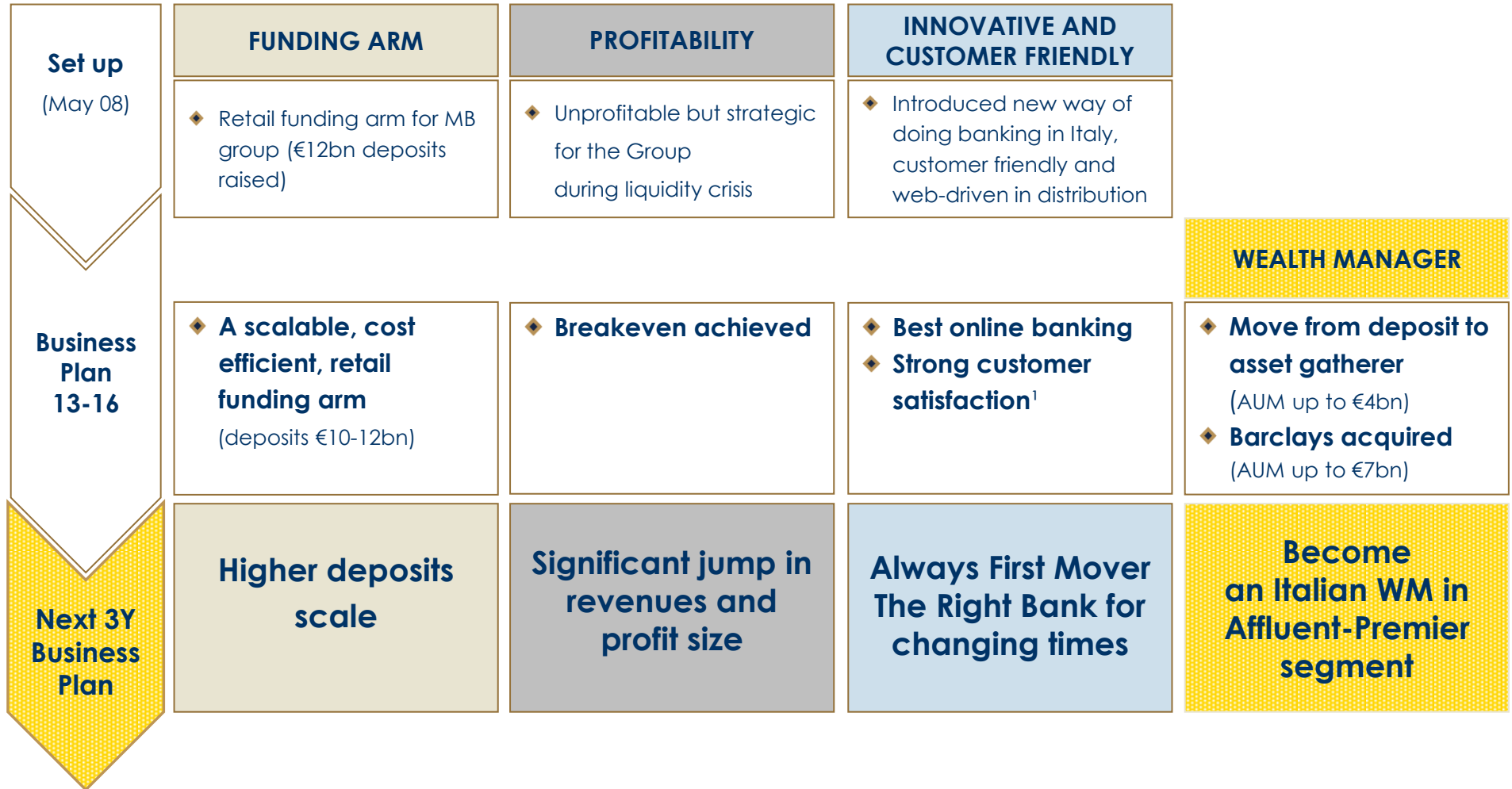
**Mediobanca AM**



# CHEBANCA! CHANGE IN MISSION SINCE START-UP PHASE

Divisional action plan. CheBanca! (WM)

Section 3C



# MULTIPLE NEEDS – MULTIPLE CHANNELS

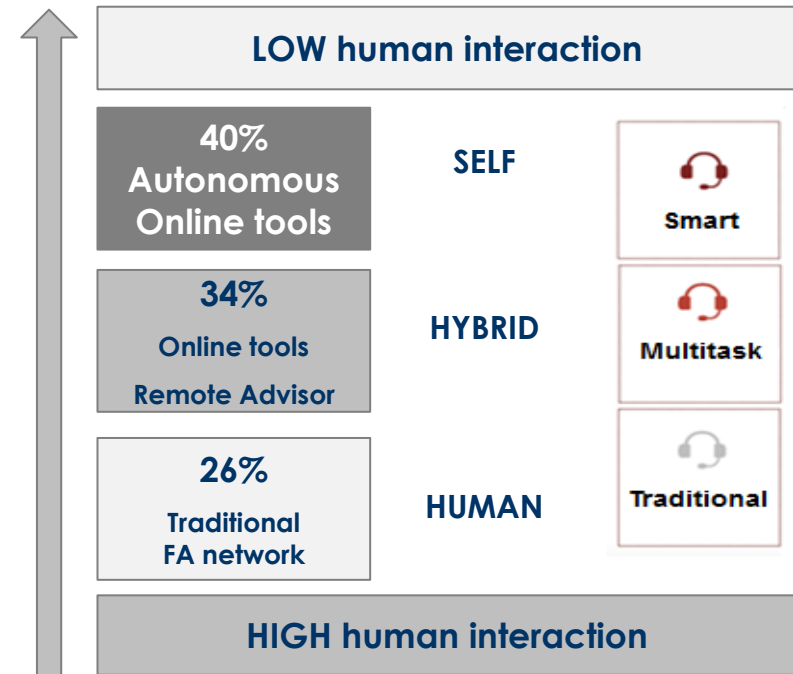
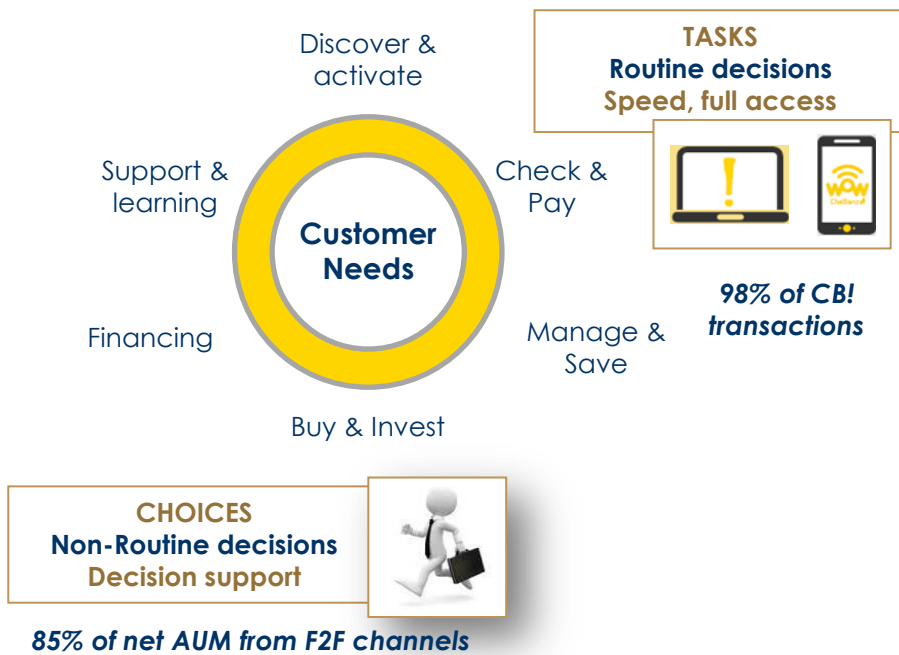
## CHEBANCA! RESPONSE: «THE HUMAN DIGITAL BANK»

Divisional action plan. CheBanca! (WM)

Section 3C

CheBanca! clients already looking increasingly for “multichannel journey” ...

... and in the near future a higher % of advice seekers will shift towards digital-based advice<sup>1</sup>



CheBanca! enjoys sizeable “first mover advantage”  
Already Omni-channel - Mainly digital

# NEXT 3Y IN CHEBANCA! EXPLOITING OPTION VALUE

Divisional action plan. CheBanca! (WM)

Section 3C

In next 3Y CheBanca! aims to fully exploit its **OPTION VALUE**,  
significant earnings growth (g) associated with low volatility,  
embedded in the innovative, digitally enabled, distribution platform.  
The question is “when”, not “if” customer habits will shift more clearly toward digital

## OBJECTIVES

Grow fast with low volatility  
Visible at MB group level

On top of innovation for  
distribution, advisory tools

Get scale, incl. through M&A,  
leveraging on brand and  
sector consolidation

## ACTIONS

1

Build a wealth sales force in  
order to serve large customer  
base better (800,000)

2

Execute  
Barclays integration

3

Confirming  
digital leadership

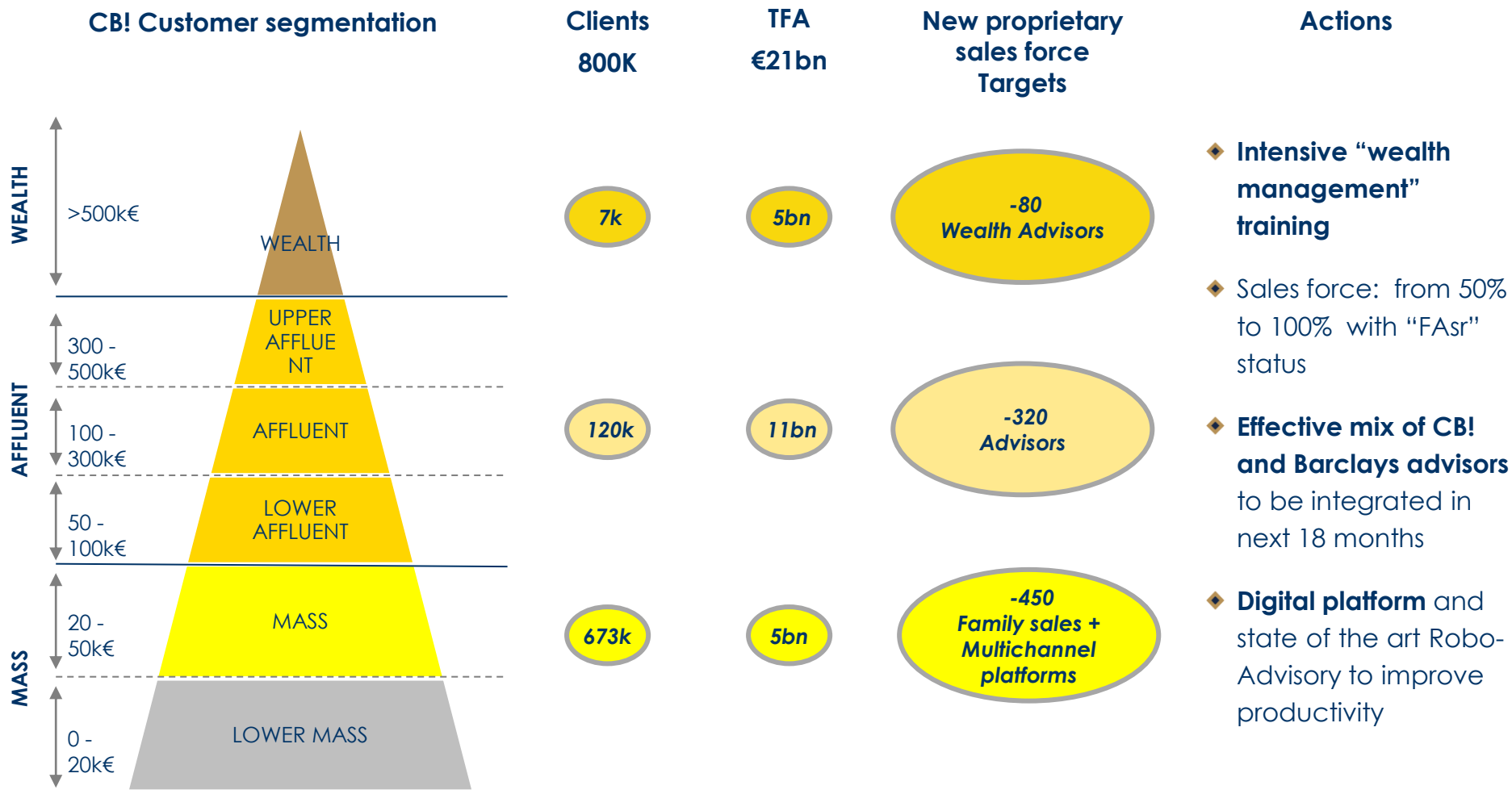
# BUILD WEALTH SALES FORCE, IN ORDER TO SERVE LARGE CUSTOMER BASE BETTER. PROPRIETARY AND...

1

3

Divisional action plan. CheBanca! (WM)

Section 3C

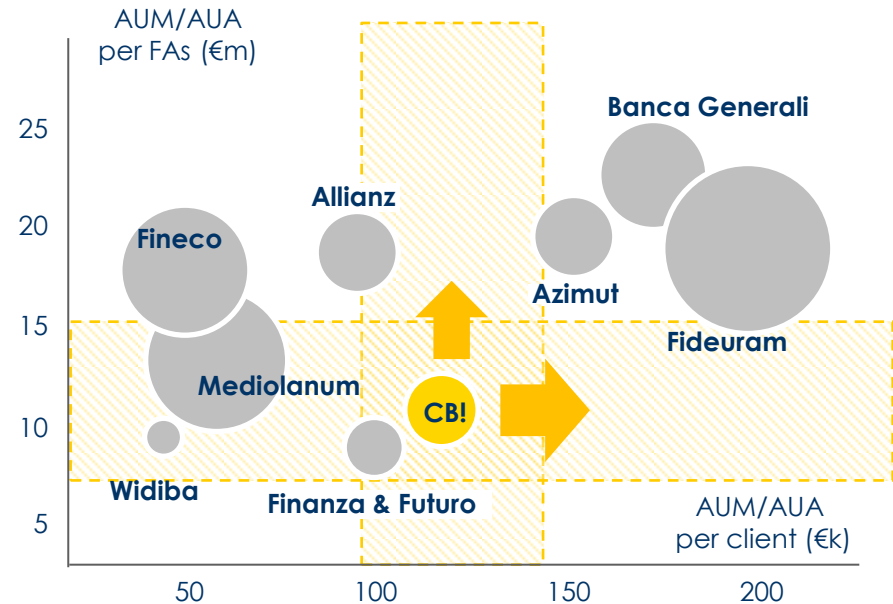
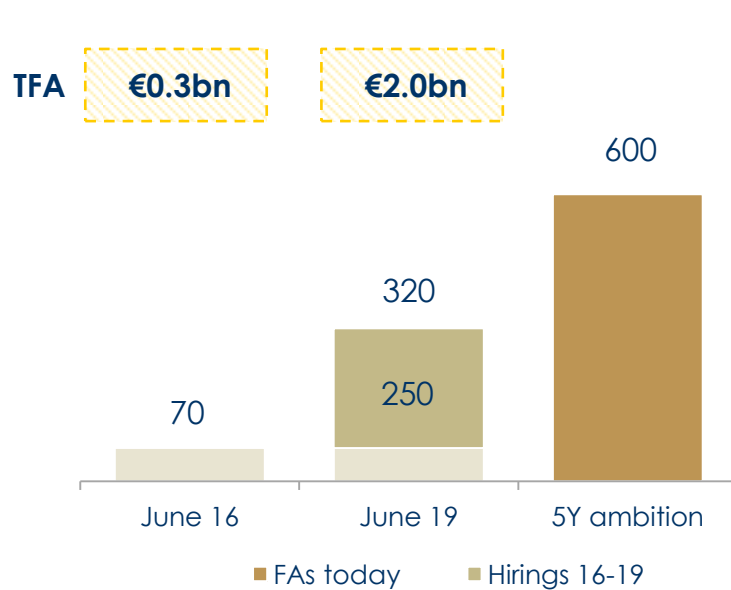


# ...FAS NETWORK: VISIBLE IN SIZE, INNOVATIVE IN CLIENTS RELATION

Divisional action plan. CheBanca! (WM)

Section 3C

## CheBanca! Financial Advisors network set up, trend and positioning

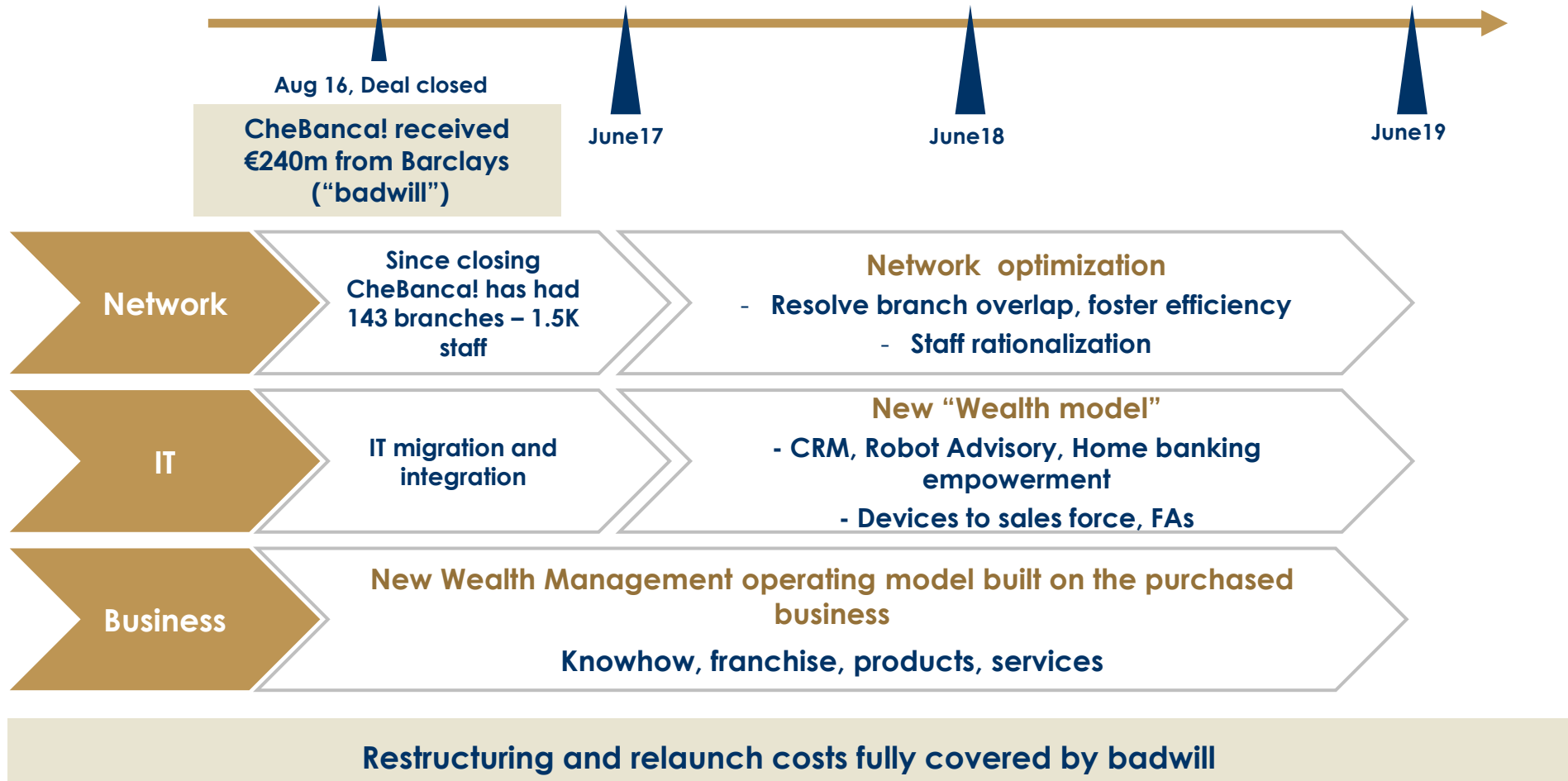


- ◆ KPIs of new FAs: fair and transparent with customers, technologically supported
- ◆ Relaunch of existing Barclays FAs network (70 FAs) plus strong recruitment

# INTEGRATING BARCLAYS REAPING THE BENEFITS OF THE TRANSACTION

Divisional action plan. CheBanca! (WM)

Section 3C



# PRIVATE BANKING

Section 3C



# NEXT 3Y IN PRIVATE BANKING A DEFINITELY DIFFERENT OFFERING

Divisional action plan. Private (WM)

Section 3C

In the next three years we want substantially reshape our presence in Italian Private Banking.

Now that the governance issues in Banca Esperia have been resolved, the bank will be rebranded and major synergies exploited within the Group on both the Mid-Corporate and WM side

## OBJECTIVES

**Build up  
Mediobanca Private Banking**

**SPAFID  
Multi Family Officer &  
Corporate Services operator**

**CMB  
Leverage  
presence in Monaco**

## ACTIONS

**Banca Esperia  
Integrate, rebrand,  
launch new offering**

**Empower positioning  
becoming a clear leader in  
the market**

**Consolidation in local market  
More integrated in AM Group  
production platform**



# ITALIAN PRIVATE BANKING MARKET

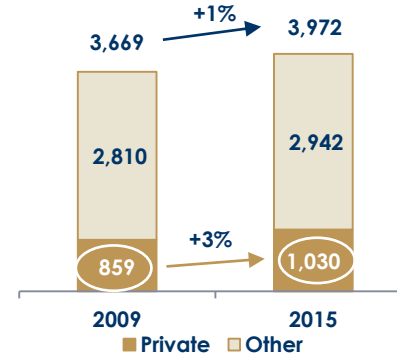
Divisional action plan. Private (WM)

Section 3C

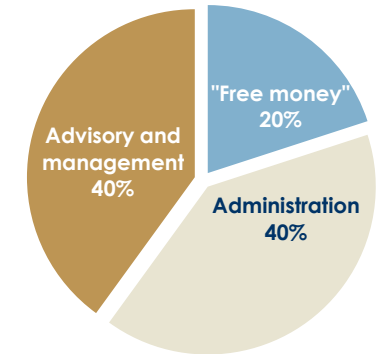
## MARKET

- ◆ **GROWING:** in last 5Y Private Banking has grown 3 times faster than total family wealth, due mainly to liquidity events such as company disposals
- ◆ **UNDER EXPLOITED:** ≈ 20% of private wealth (i.e. €230bn) "avoids" Private Banking services, approx. 40% (€400bn) under administration mandates only

Private wealth: +3% (6Y CAGR) with stable GDP (nominal value: +0.3%)



Only 40% of Private wealth is under advisory/management mandate



## COMPETITION

- ◆ **COMPETITION:** international players partially exiting Italian market to increase focus on emerging markets (higher growth and interest rates than in the EU)
- ◆ **CONSOLIDATION:** size is critical for sustainability and many banking operators are restructuring

- ◆ *Merrill Lynch – BofA: PB Italian operations closed (Oct. 2014)*
- ◆ *Barclays Wealth & Investment Management: all Italian operations closed*
- ◆ *Morgan Stanley: PB EMEA sold to Credit Suisse (2013)*
- ◆ *Credit Suisse: upper affluent business sold to Banca Generali*

# PB & IB - STRONG FIT

Divisional action plan. Private (WM)

Section 3C

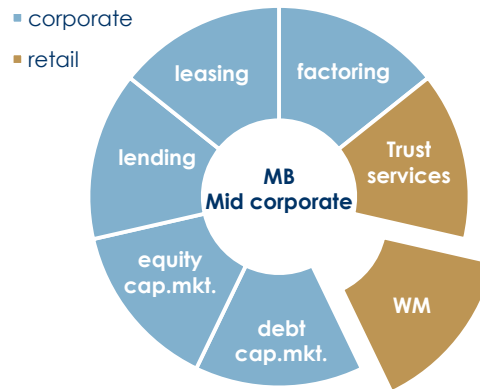
## Positioning

Most of the banks specialized in wealth management to high-end customers also perform investment banking activities



## Products

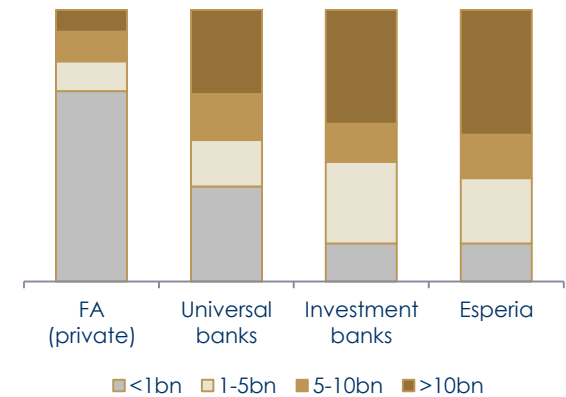
Wealth management services to be integrated in the offering to entrepreneurs to increase origination efficiency and loyalty (one stop shop)



## Customers

Banca Eperia client asset composition and client distribution profile highly consistent with investment banking features

Asset distribution by wealth cluster



New entity, rebranded and with new governance, ready to  
 improve offer  
 attract talent  
 aggregate other players

# BANCA ESPERIA

## INTEGRATE, REBRAND, LAUNCH NEW OFFERING

Divisional action plan. Private (WM)

Section 3C

**Fully exploit strengths and potential  
within MB Group**

**Deliver synergies**

**STRENGTHS**

**Privileged  
positioning in  
upper-end,  
UHNWI segment**

- ◆ 70% of AUM (or €12bn) by Private clients, of which
  - ◆ UltraHNWI<sup>1</sup>: 55% of AUM (>€5m)
  - ◆ Premier clients: 15% of AUM
- ◆ 30% of AUM (or €5bn) by Institutional clients

**Valuable  
franchise**

- ◆ Distribution: 75 bankers and 11 branches
- ◆ Staff: 260

**WEAKNESSES**

**Inefficient scale**

- ◆ Small in size (€17bn AUM) with high cost/income ratio
- ◆ Asset manager capabilities not fully saturated

**Business model  
inconsistent**

- ◆ Sub-optimal corporate governance
- ◆ Product offering undiversified with high cost-to-serve

**STRONG SYNERGIES**

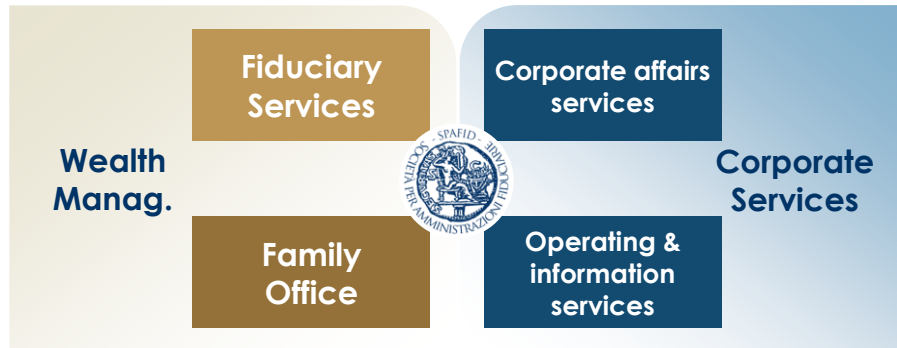
- ◆ **Revenue synergies** achievable by integrating customer offering into **CIB**, **Specialty Finance** and **WM**
- ◆ **Cost synergies achievable by integrating BE in MB, rationalizing legal entities and operation costs.** Preliminary estimates:
  - 20% cost synergies in 3Y
  - 15% restructuring costs (first 2Y)

# SPAFID

## A BRIDGE BETWEEN PRIVATE & CORPORATE

Divisional action plan. Private (WM)

Section 3C



### Unique integrated administration platform serving:

- ◆ **Private:** from fiduciary services to multi-family office
- ◆ **Corporate:** from shareholders & bondholders corporate books management to integrated offer of corporate affairs and information services

### OBJECTIVES

Obtain scale via M&A and organic growth (B2B commercial model)

Independent multi-family office: role-based, risk management-driven

Issuer services (from IPO to delisting) for legal formalities & operational needs

### ACTIONS

Fast track to CIB services

Set up advisory platform with limited number of focused hirings

Enhance corporate service proprietary IT platform with issuer web-based services

# COMPAGNIE MONEGASQUE DE BANQUE FEED CONSISTENT AND PROFITABLE BUSINESS

Divisional action plan. Private (WM)

Section 3C

MARKET

- ◆ **Increasing attractiveness of Monaco** (expected to exit blacklisted countries)
- ◆ **Relevant players (i.e. Credit Suisse, HSBC) abandoning the arena**
- ◆ **Opportunities linked to increasing wealth**

CMB

- ◆ **Longstanding presence in Monaco. Top 5 ranking**
- ◆ **Diversified customer base** with focus on Monaco residents (>50% of total)
- ◆ **Comprehensive product offering**
- ◆ **Solid balance sheet, ROAC 25%**

**In next 3Y CMB aims to strengthen its top-five positioning in Monaco by leveraging on its valuable customer base and exploiting Group synergies**

## OBJECTIVES

**Strengthen positioning in Monaco**

**Enhance efficiency**

**Exploit Group synergies**

## ACTIONS

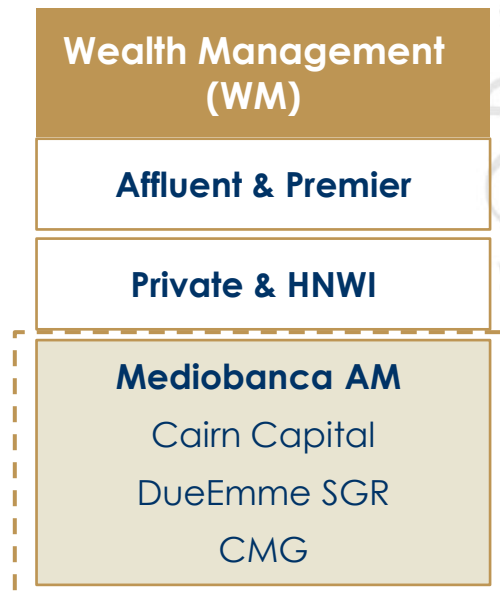
**Integration of recently acquired client portfolios**  
**Small opportunistic acquisitions**

**New IT and operating platform**  
**Cost discipline**

**Cross selling within WM division**  
**AM factory rationalization**

# MEDIOBANCA ASSET MANAGEMENT

Section 3C



# NEXT 3Y IN MEDIOBANCA AM

## SET UP AN EFFICIENT AND SPECIALIZED GROUP AM FACTORY

Divisional action plan. MB AM (WM)

Section 3C

In next three years we want to develop Mediobanca's Asset Management factory  
focusing on specialized capabilities  
and able to serve customers and increase AUM and WM profitability

### OBJECTIVES

Leverage on Mediobanca brand and existing capabilities in AM space

Serve retail and institutional MB Group sales network leveraging on new technology

Increase AUM and WM profitability

### ACTIONS

Optimize existing structures

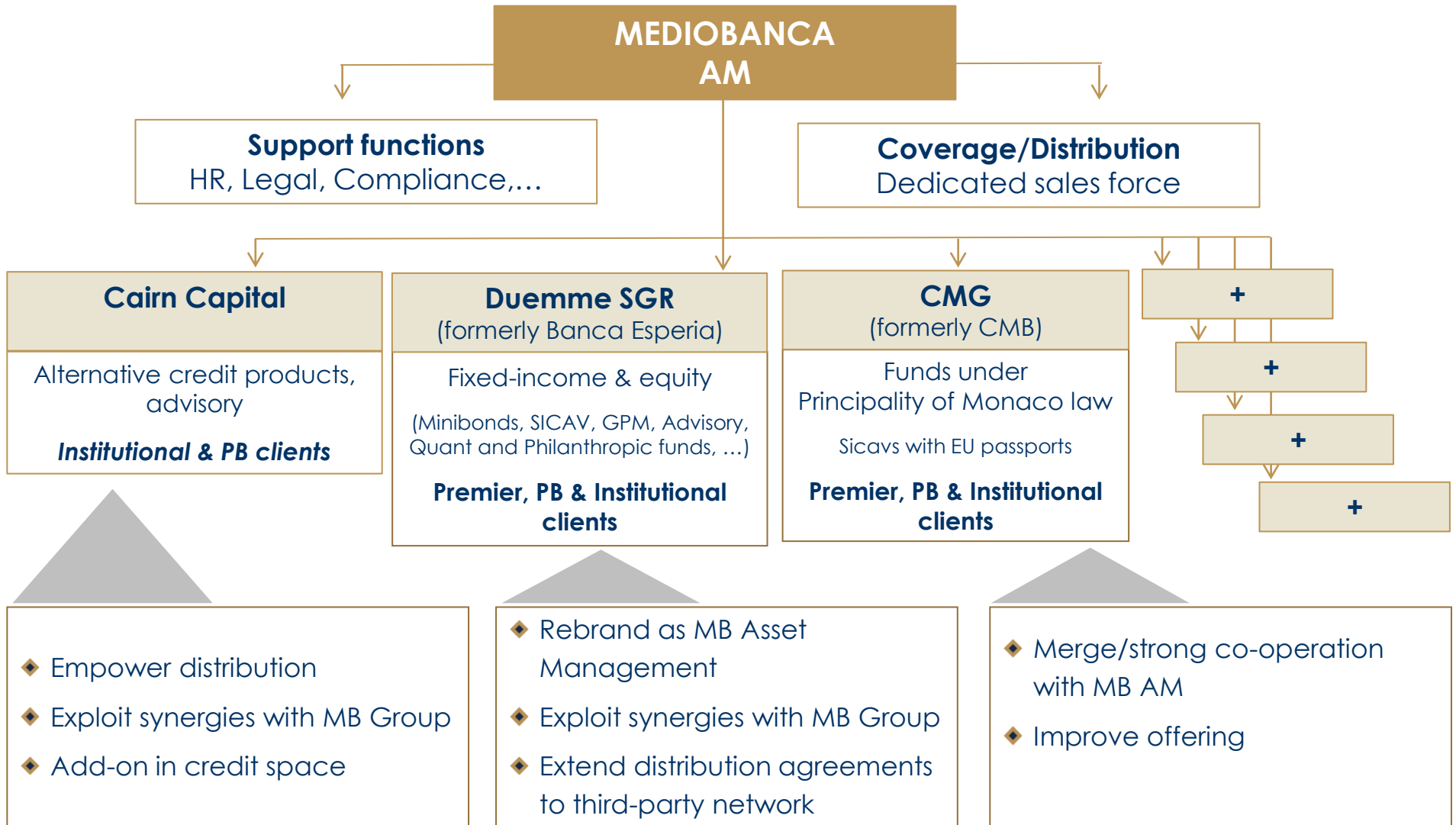
Attract talents and managers

Invest in new asset classes

# MEDIOBANCA ASSET MANAGEMENT

Divisional action plan. MB AM (WM)

Section 3C

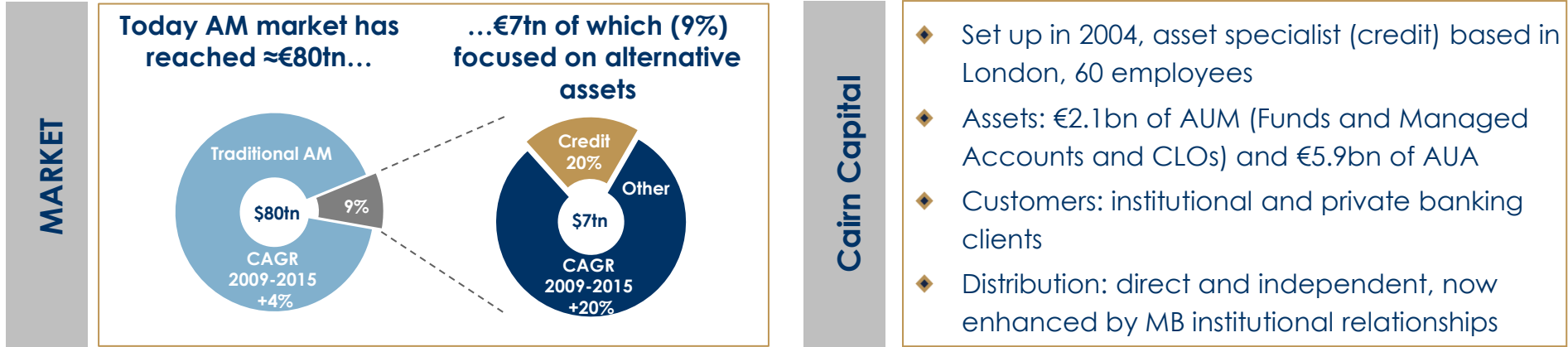




# CAIRN CAPITAL - ALTERNATIVE AM CONTINUE BUILDING

Divisional action plan. MB AM (WM)

Section 3C



**In next 3Y Cairn Capital/Alternative AM division aims  
to carry forward MB acquisition strategy  
in alternative AM while increasing Cairn Capital AuM size**

## OBJECTIVES / ACTIONS

**Launch of new funds and SMAs,  
coupled with new CLOs issue**

**Discretionary AuM growth**

**Joint analysis with MB on Real Estate  
NPLs fund feasibility**

**Enhance marketing structure to  
increase distribution capabilities**

**Keep on screening  
external growth opportunities**

# WEALTH MANAGEMENT FINAL TAKEWAYS

## BECOME A SIZEABLE PLAYER – EXPLOIT THE OPTION VALUE

Divisional action plan. WM

Section 3C

### WM TODAY

- ◆ CheBanca! Strong positioning in the Affluent-Premier segment, at forefront of digital frontier
- ◆ Private banking: valuable presence in Italy but fragmented offering, governance issues in Banca Esperia. Strong positioning of CMB in Monaco
- ◆ Cairn: strong product capabilities, track record
- ◆ TFA: €57bn, ROAC 8%

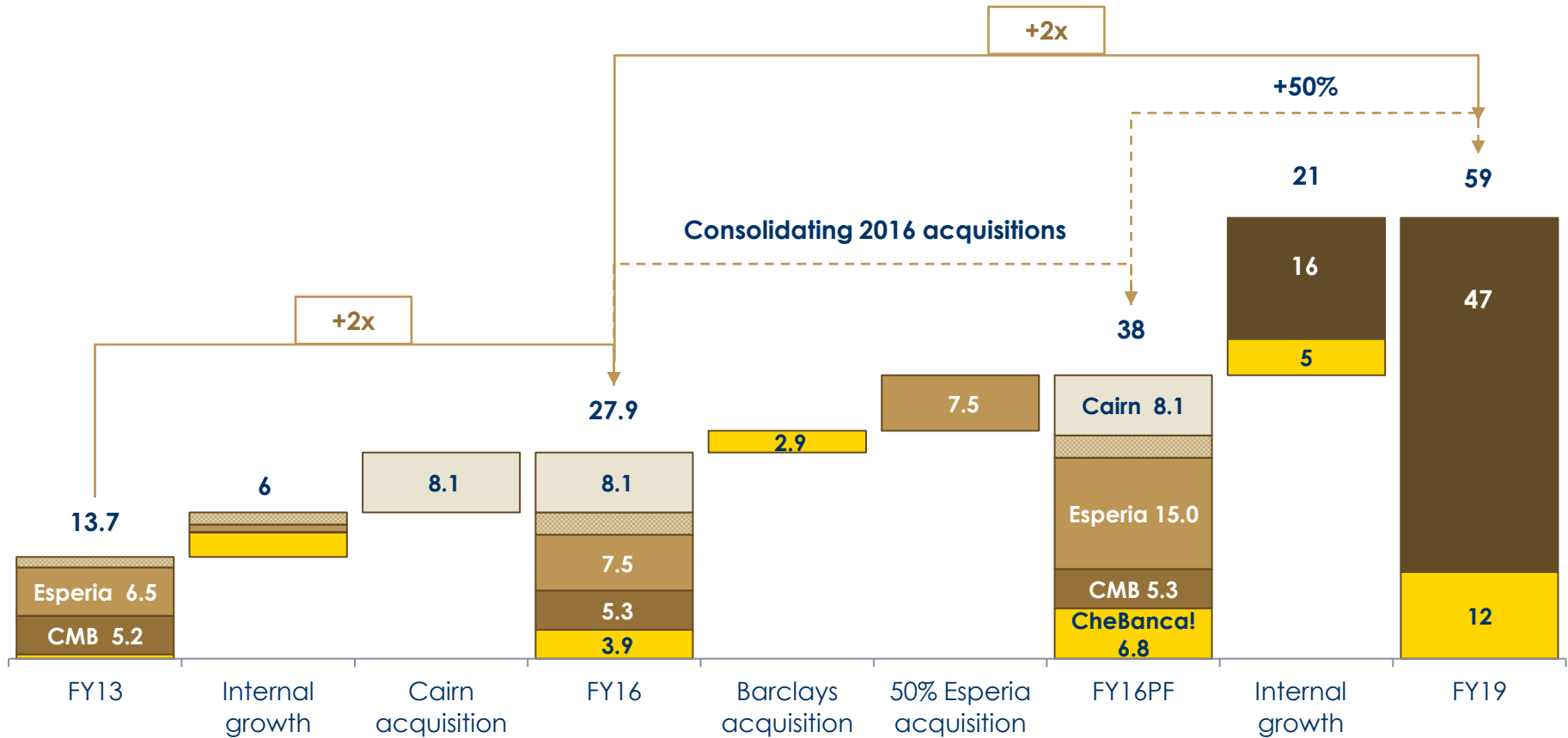
### WM 2019 STRATEGIC GOALS

- ◆ Leverage on existing and new customer base, extracting synergies from Barclays and Banca Esperia acquisition
- ◆ Upgrade existing AM factories, invest in new ones
- ◆ Invest massively in distribution
- ◆ Focus on future M&A
- ◆ TFA: €79bn; ROAC: 20%

	June16PF	June19T	3Y CAGR
GOP €m	50	140	+40%
TFA €bn	57	79	+12%
AUA/AUM €bn	38	59	+15%
of which CheBanca!	7	12	+18%
RWA €bn	6	6	-
<b>ROAC</b>	<b>8%</b>	<b>20%</b>	<b>+12pp</b>

# STRONG TREND IN ASSETS LIKE IN LAST 3Y, SET TO DOUBLE AGAIN IN NEXT 3Y

MB Group AUM/AUA trend (€bn)



# PRINCIPAL INVESTING

Section 3D

**Principal Investing  
(PI)**

**Principal Investing**

Ass. Generali

AFS stake ptf

# NEXT 3Y IN PRINCIPAL INVESTING

## KEEP DELEVERAGING

Divisional action plan. PI

Section 3D

In next three years we want to reduce further capital allocated to the Principal Investing division  
reallocating redeployed capital into banking and being efficient in terms of regulation  
Targeting double-digit ROAC

### OBJECTIVES

Continue disposal process

Optimize capital

Value management

### ACTIONS/TARGETS

**€1.3bn BV disposals**

- AG stake from 13% to 10%
- €0.6bn AFS stake disposals

**RWA reduction  
from €7bn to €2bn**

**GOP<sup>1</sup> reducing to €225m  
Contribution to Group GOP halved  
ROAC target 12%**

# HOLDING FUNCTIONS

Section 3E

**Holding Functions**

**Group ALM & Treasury**

**Leasing**

# NEXT 3Y IN HOLDING FUNCTIONS KEEP OPTIMIZING

Divisional action plan. HF

Section 3E

In next 3y we want to reduce capital allocated to Holding Function and definitely exhaust negative flows related to legacies of the crisis and increased regulation

## OBJECTIVES

**Treasury / ALM**  
Reduce absorbed capital  
Improve NII

**Leasing**  
Continuing ordered deleverage  
and refocusing  
New production supporting  
MidCaps platform

**Central costs**  
Keep efficiency

## ACTIONS/TARGETS

Market risk RWA optimization  
Exhausting expensive bond stock

RWA down €0,9bn  
GOP from €(180)m to €(110)m

Special project costs normalizing  
(ie internal models validation,...)

# AGENDA

1. Leveraging on our strengths
2. Strategic ambitions
3. Divisional action plan
4. Group targets

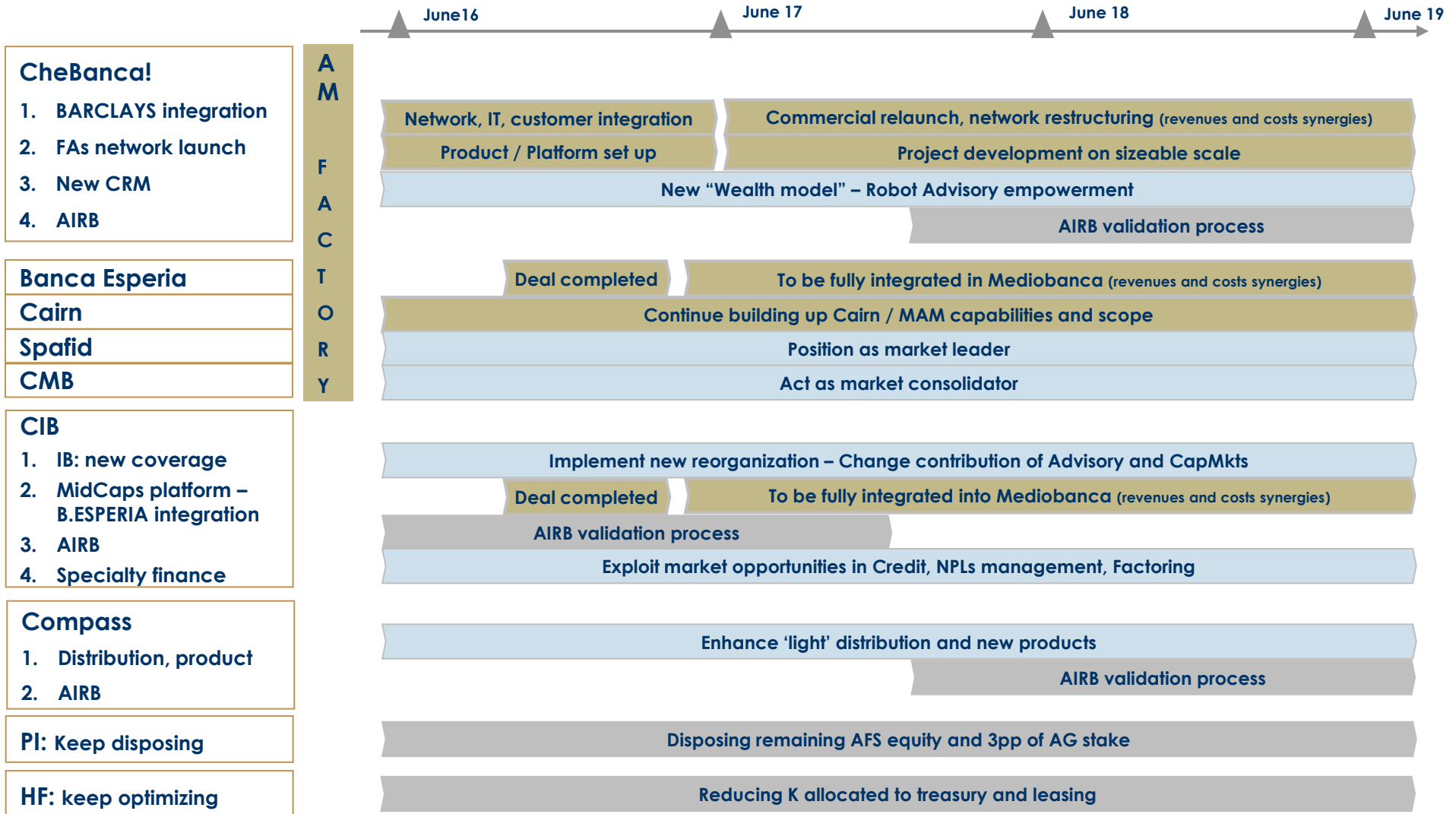
Annexes



MEDIOBANCA



# PLAYING SEVERAL NEW PROJECTS IN 3 KEY AREAS...

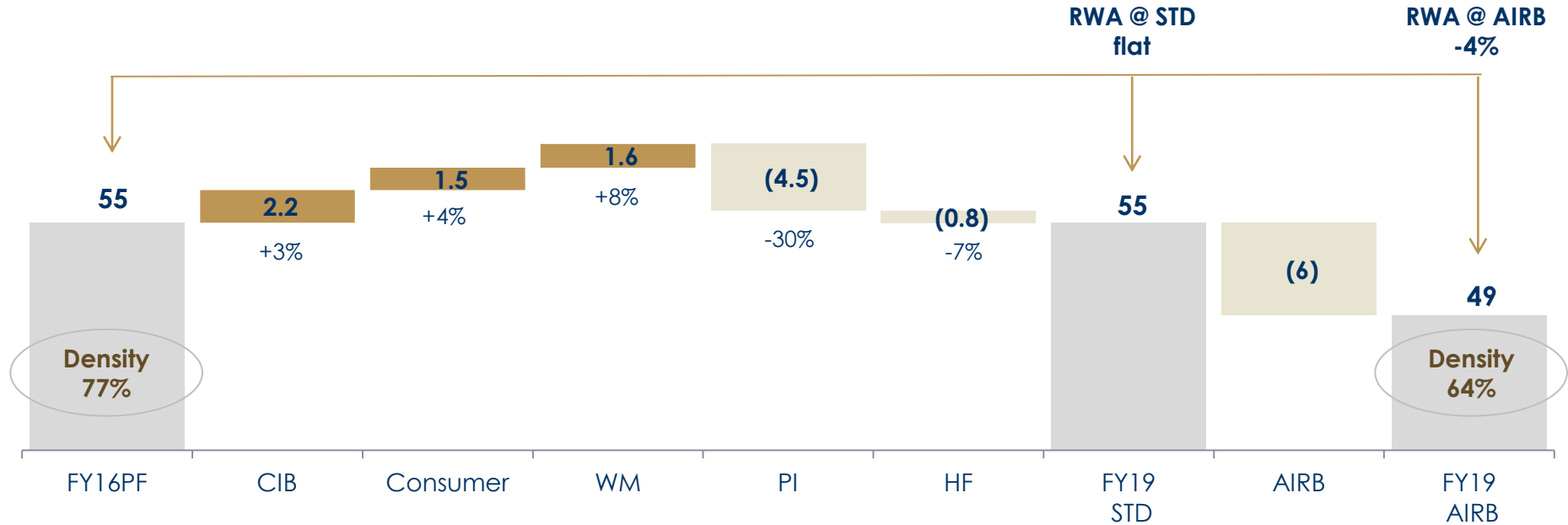


# ...AND WITH EFFECTIVE RWA MANAGEMENT...

Group targets

Section 4

3Y MB Group RWA trend by division (€bn, 3YCAGR %)



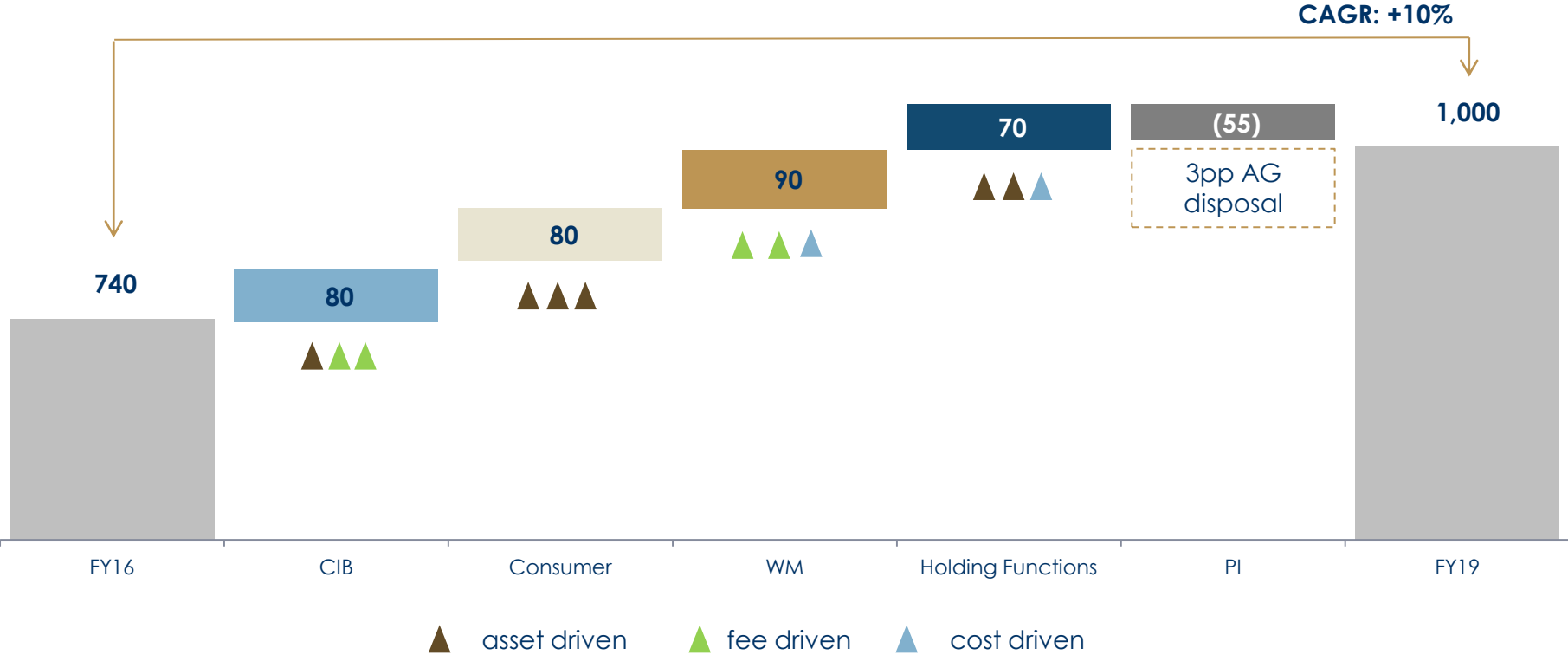
- ◆ Organic growth (in CIB, Consumer and WM) financed by optimization in PI and HF (at STD)
  - ◆ PI: down due to AG 3pp disposal and full deduction (now 50% deducted)
  - ◆ HF: further leasing and treasury market risk optimization
- ◆ AIRB model adoption, unfrozen additional capital

# ...WILL GENERATE MATERIAL GROWTH IN GOP...

Group targets

Section 4

3Y MB Group GOP net of risk trend by division (€m)



◆ Execution risk mitigated by sound diversification efforts in terms of

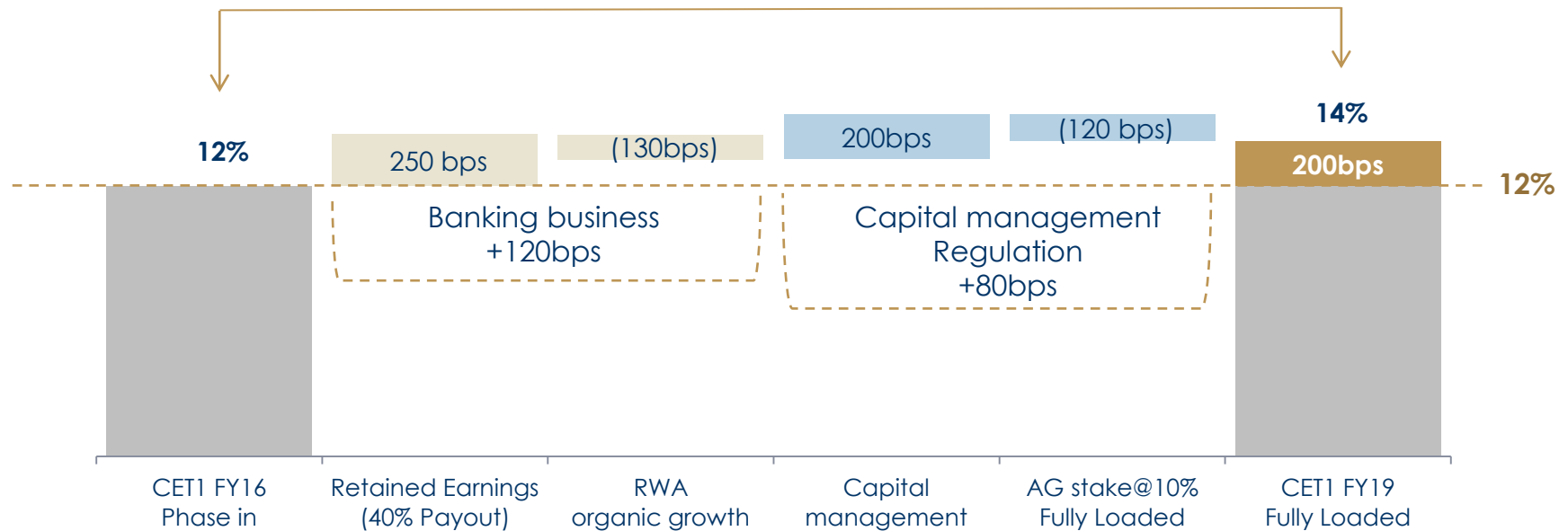
- split between divisions
- asset/fee driven businesses
- existing and new initiatives

# ...AND STRONG CAPITAL GENERATION. CET1 AT HIGH LEVEL, BUFFER FOR M&A AND DISTRIBUTION

Group targets

Section 4

## MB Group 2016/19 CET1 evolution (% and bps)



- ◆ Organic growth (absorbing 130bps) more than financed by internal capital generation (250bps)
- ◆ Capital management (internal optimization and AIRB validation) creating additional 200bps
- ◆ CET12019 expected to be ~14%, 200bps above CET1FL target of 12%: 200bps of buffer created
- ◆ CET1 ratio target of 12% is 300bps above current regulatory requirement (SREP 2015 = 8.75%)

# GROUP TARGETS

Group targets

Section 4

Rationale	Group	FY16	FY19E
Boost growth (GOP 3YCAGR +10%)	GOP after LLPs	€ 0.7bn	€ 1.0bn
completing equity disposals	Equity stake in AG	13%	≤10%
preserving cost efficiency and superior asset quality	CoR	115bps	105 bps
Improve profitability and value	Banking ROAC	5%	12%
with banking activities development	ROTE	7%	10%
enhancing solidity (€1bn BV created)	Totale BV	€8bn	€9bn
Optimize capital use, allocation and distribution	RWA	€55bn	€49bn
- RWA flat at STD, down 4% including AIRB benefits	CET1 FL	12%	14%
- CET1 well above regulatory requirement	Capital buffer	-	200bps
(by 300bps now & 500bps in FY19)	Ordinary Payout	40%	40%
coupled with high leverage ratio	Total Capital	15%	18%
- Capital buffer: up to 200bps for M&A or distribution	Leverage ratio	10%	9%

# DIVISIONAL TARGETS

Group target

Section 4

	CIB			CONSUMER			WEALTH MANAGEMENT		
€bn	June16	June19T	3YCAGR	June16	June19T	3YCAGR	June16	June19T	3YCAGR
<b>GOP<sup>1</sup> €m</b>	<b>350</b>	<b>430</b>	<b>+7%</b>	<b>245</b>	<b>330</b>	<b>+10%</b>	<b>50</b>	<b>140</b>	<b>+40%</b>
<b>Loans</b>	15	18	+6%	11	13	+5%	10	12	+8%
<b>RWA</b>	27	25	-3%	11	12	+3%	6	6	-
<b>CoR</b>	25bps	45bps	+20bps	330bps	270bps	-60bps	20bps	20bps	-
<b>AUM/AUA</b>							38	59	+15%
<b>ROAC<sup>2</sup></b>	<b>9%</b>	<b>13%</b>	<b>+4pp</b>	<b>16%</b>	<b>20%</b>	<b>+4pp</b>	<b>8%</b>	<b>20%</b>	<b>+12pp</b>
	PRINCIPAL INVESTING <sup>3</sup>			HOLDING FUNCTIONS			TOTAL GROUP		
€bn	June16	June19T	3YCAGR	June16	June19T	3YCAGR	June16	June19T	3YCAGR
<b>GOP<sup>1</sup> €m</b>	<b>280</b>	<b>225</b>	<b>-7%</b>	<b>(180)</b>	<b>(110)</b>	<b>+15%</b>	<b>740</b>	<b>1,000</b>	<b>+10%</b>
<b>Loans</b>				2.5	2.0	-7%	38	45	+5%
<b>RWA</b>	7	2	-31%	4	3	-7%	55	49	-4%
<b>ROAC<sup>2</sup></b>	<b>17%</b>	<b>12%</b>	<b>-5pp</b>	<b>Neg.</b>	<b>Neg.</b>		<b>ROTE 7%</b>	<b>10%</b>	<b>+3pp</b>

# FINAL TAKEAWAYS

Group targets

Section 4

**Mediobanca has emerged stronger after the crisis.**

**We have outperformed many EU banks due to**  
distinctive DNA, sound business positioning and ability to adapt the business model while growing

**The current tough environment** requires new competitive skills  
but also **creates substantial opportunities for already strong** and well-positioned **banks**

In the next three years we want to **accelerate the business model reshaping,**  
**in specialized-high margins banking businesses, growing consistently** (both organically and through M&A),  
**improving capital allocation and with an outstanding balance-sheet content**

**We will hence benefit from a more valuable business model**  
**for income and capital generation, diversification, efficiency, profitability**  
**so to position**

**MEDIOBANCA**

**A LONG-TERM VALUE PLAYER**

# ANNEXES

1. **Macro assumptions and interest rate sensitivity**
2. **A&L section**
  - Loans: growing in stock, decreasing in density
  - Funding
3. **Restatements**
  - MB Group 2016 pro forma
  - Business unit restatements





# MACRO ASSUMPTIONS

## Annex 1

### Macro Scenario

			Baseline growth/inflation rate (%)			
			Country	June16	June17	June18
Real GDP	RDGP	Italy		1,50	1,40	1,70
		France		1,40	1,70	1,60
		Netherlands		2,10	2,30	1,40
		Germany		1,90	1,90	1,60
		Spain		2,70	2,40	2,00
		UK		2,40	2,20	1,20
		USA		2,80	2,70	2,60
		Equity Price	All Index	All Country	1,00	1,00
Consumer price index	HICP	Italy	1,00	1,90	2,80	
Commercial property index	CRE	Italy	2,10	3,80	5,00	
House Priceindex	HPI	Italy	2,00	4,10	5,90	

			Baseline rate (%)			
			Country	June16	June17	June18
10Y sovereign bond yields	M_GO10YI	Italy		1,80	2,00	2,10
Unemployment rate	UNEMPR	Italy		11,80	11,60	11,30
		USA		9,20	8,90	8,90

### Market Rates EURO

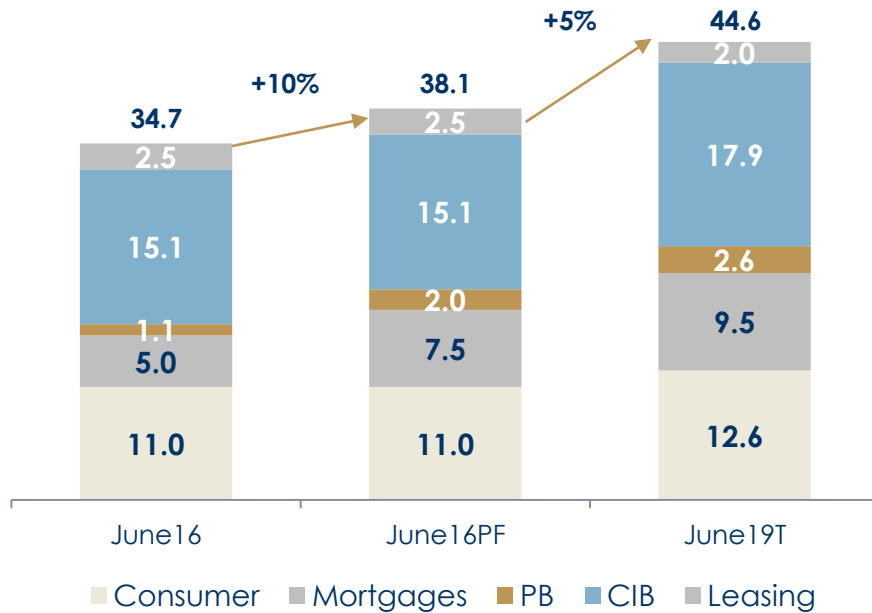
Puntual	Jun16	June17	June18	June19
Eur 1M	(0,36)	(0,35)	(0,15)	0,22
Eur 3M	(0,29)	(0,25)	(0,05)	0,25
Eur 6M	(0,18)	(0,16)	0,04	0,52
Eur 12M	(0,05)	(0,02)	0,30	0,80
IRS 2Y	(0,22)	0,06	0,49	1,10
IRS 5Y	(0,10)	0,30	0,88	1,50
IRS 10Y	0,39	1,10	1,70	2,10
IRS 30Y	0,83	1,50	1,90	2,20

Average	June16	June17	June18	June19
Eur 3M	(0,13)	(0,27)	(0,18)	0,05
Eur 6M	(0,05)	(0,17)	(0,09)	0,23
Eur 12M	0,07	(0,01)	0,18	0,63
IRS 2Y	(0,05)	(0,07)	0,27	0,85
IRS 5Y	0,22	0,12	0,60	1,20
IRS 10Y	0,82	0,78	1,44	1,89
IRS 30Y	1,38	1,19	1,78	2,13

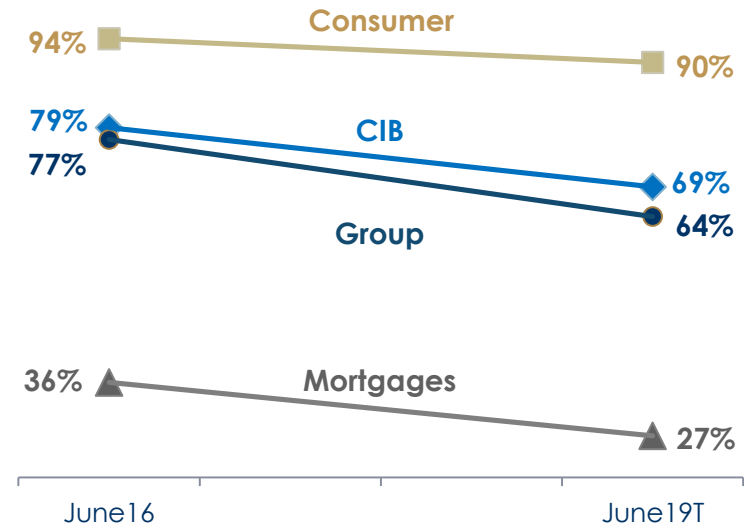
# LOANS: GROWING IN STOCK, DECREASING IN DENSITY

## Annex 2

### Major trends (3YΔ in €bn, % as 3YCAGR)



### RWA density trend (RWA/Asset)

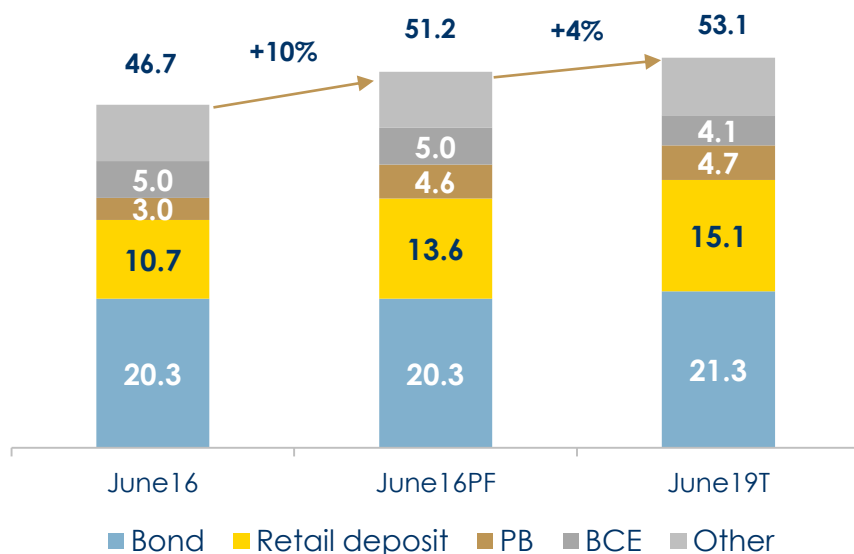


- ◆ **Loan book up 5%** (3YCagr, or Δ+6.5bn) **driven by less RWA-intensive and more profitable products** (mortgages and consumer) and **by new CIB market opportunities** (CMS and Specialty Finance)
- ◆ **Corporate lending:** no deterioration of rating mix, margin flat, moderate loans growth (+3% or Δ+1.3bn)
- ◆ **Consumer lending:** moderate loans growth (Δ+1.6bn or +5% vs. +6% last 3Y), lower than market (+14% in 2015 and +20% in IH16)), portfolio remix toward less risky products
- ◆ **Mortgages:** material growth (Δ+2.0bn or +8%) at flat marginality due to enlarged CheBanca! distribution capability
- ◆ **AIRB savings:** first internal prudent estimate on large corporate, consumer credit and mortgage portfolios

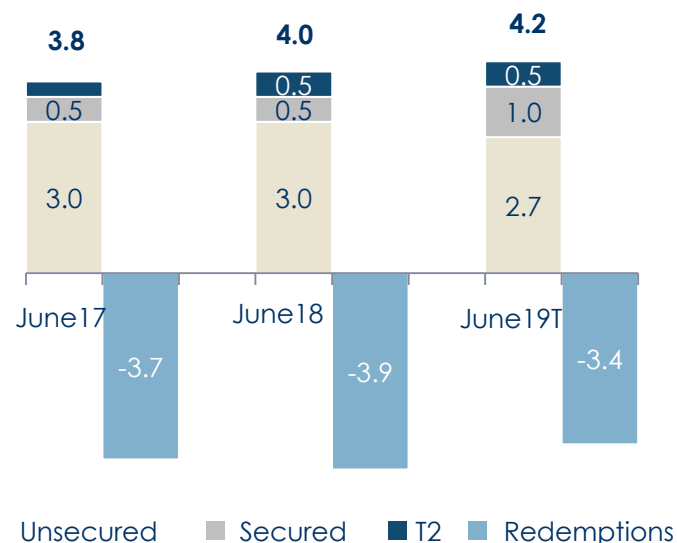
# FUNDING AND NEW ISSUES

## Annex 2

### Funding trend (€bn)



### New issue and redemption volumes (€bn)



◆ **Group funding up 4% at 53bn with different mix,** coherent with the hypothesis of growing interest rates and less expansive ECB monetary policy

- ◆ ECB down from 11% to 8% of total
- ◆ Deposits (CBI+PB) up from 29% to 37%
- ◆ Bonds down from 43% to 40%

◆ **MB bond annual flows: €3/4bn expiring, replaced by ~€4bn new issues**

- ◆ 80% institutional, 20% retail, assuming high protection of retail bond holders
- ◆ 75% senior unsecured, 15% secured, 10% T2

# MEDIOBANCA GROUP FY16PF

## Annex 3

<b>FY16</b> (12 months) <b>€m</b>	<b>FY16</b> <b>Stated<sup>1</sup></b>	<b>Barclays</b> <b>Italia</b> <b>12m</b>	<b>Esperia</b> <b>100%</b>	<b>Cairn</b> <b>12m</b>	<b>FY16</b> <b>Pro Forma</b>
<b>Revenues</b>	<b>2,047</b>	<b>90</b>	<b>82</b>	<b>20</b>	<b>2,237</b>
- <i>NII</i>	<b>1,207</b>	<b>60</b>	<b>12</b>		<b>1,279</b>
- <i>Fees</i>	<b>450</b>	<b>30</b>	<b>60</b>	<b>20</b>	<b>560</b>
- <i>Trading</i>	<b>133</b>	<b>0</b>	<b>10</b>		<b>143</b>
- <i>Equity method</i>	<b>257</b>		<b>(2)</b>		<b>255</b>
<b>Costs</b>	<b>(892)</b>	<b>(90)</b>	<b>(72)</b>	<b>(20)</b>	<b>(1074)</b>
- Labour	(441)	(45)	(44)	(10)	(540)
- Administrative	(451)	(45)	(28)	(10)	(534)
<b>LLPs</b>	<b>(419)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(419)</b>
<b>GOP risk adjusted</b>	<b>736</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>744</b>
<b>Loans</b>	<b>34.7</b>	<b>2.5</b>	<b>1</b>		<b>38.1</b>
<b>AUM/AUA</b>	<b>27.9</b>	<b>2.9</b>	<b>15.0</b>	<b>8.1<sup>2</sup></b>	<b>38.2</b>
<b>RWA</b>	<b>53.9</b>	<b>0.9</b>	<b>1.3</b>		<b>55.4</b>

# CIB RESTATEMENT

## Annex 3

### CIB - OLD

#### WB

##### Client Business

- ◆ Lending
- ◆ Advisory
- ◆ Capital markets

##### Non Client Business

- ◆ Treasury & ALM
- ◆ Trading desks

#### Private Banking

- ◆ 50% Banca Esperia
- ◆ CMB
- ◆ Spafid
- ◆ Cairn Capital

FY16 - €m	TOT	WB - old	PB
<b>Revenues</b>	<b>640</b>	500	140
<b>Costs</b>	<b>(410)</b>	(300)	(110)
<b>LLPS</b>	<b>(30)</b>	(30)	-
<b>GOP risk adj</b>	<b>200</b>	170	30
<b>Net profit</b>	<b>130</b>	100	30
<b>C/I ratio</b>	<b>64%</b>	60%	80%
<b>RWA - bn</b>	<b>30</b>	28	2
<b>ROAC (@8%RWA)</b>	<b>5%</b>	4%	17%

### CIB - CURRENT

#### WB

##### Client Business

- ◆ Lending
- ◆ Advisory
- ◆ Capital markets

##### Non Client Business

- ◆ Trading desks

#### Specialty Finance

- ◆ Credit management
- ◆ Factoring

FY16 - €m	TOT	WB - new	SF
<b>Revenues</b>	<b>625</b>	570	55
<b>Costs</b>	<b>(240)</b>	(210)	(30)
<b>LLPs</b>	<b>(35)</b>	(30)	(5)
<b>GOP risk adj</b>	<b>350</b>	330	20
<b>Net profit</b>	<b>220</b>	205	15
<b>C/I ratio</b>	<b>38%</b>	37%	50%
<b>RWA - bn</b>	<b>27</b>	26	1
<b>ROAC (@9%RWA)</b>	<b>9%</b>	9%	24%

# CONSUMER BANKING RESTATEMENT

Annex 3

## CONSUMER - OLD

### Consumer Lending

### Specialty Finance

- ◆ Credit management
- ◆ Factoring

FY16 - €m	TOT	CONSUMER	SF
Revenues	925	870	55
Costs	(300)	(270)	(30)
LLPs	(360)	(355)	(5)
Net profit	170	155	15
RWA - bn	12	11	1
C/I ratio	32%	31%	50%
CoR	315bps	330bps	90bps
ROAC (@8%RWA)	19%	18%	27%

## CONSUMER - CURRENT

### Consumer Lending

FY16 - €m	TOT	CONSUMER
Revenues	870	870
Costs	(270)	(270)
LLPs	(355)	(355)
Net profit	155	155
RWA - bn	11	11
C/I ratio	31%	31%
CoR	330bps	330bps
ROAC (@9%RWA)	16%	16%

# WEALTH MANAGEMENT DIVISION FY16PF

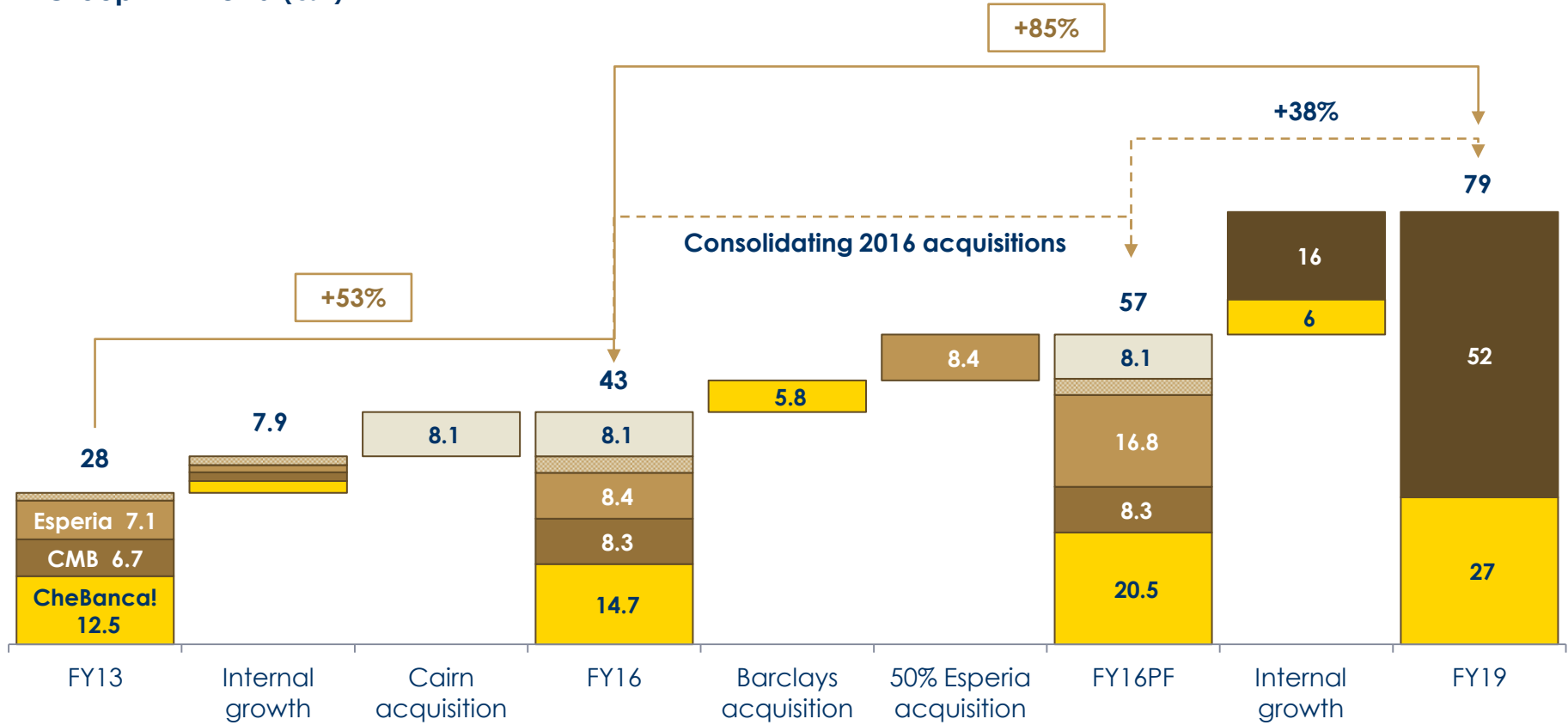
## Annex 3

FY16 (12 months) €m	TOT WM	Affluent CheBanca! + Barclays Italia	Che Banca!	Barclays Italia	Private Banking	CMB	Esperia 100%	Spafid	Cairn
<b>Revenues</b>	<b>475</b>	<b>280</b>	190	90	<b>195</b>	<b>83</b>	<b>80</b>	<b>10</b>	<b>20</b>
- Net interest income	<b>250</b>	210	150	60	40	31	10	1	
- Fee income	<b>205</b>	70	40	30	135	43	60	9	20
- Trading income	<b>20</b>	0	0	0	20	9	10	0	
<b>Costs</b>	<b>(405)</b>	<b>(250)</b>	(160)	(90)	<b>(155)</b>	<b>(55)</b>	<b>(70)</b>	<b>(7)</b>	<b>(20)</b>
GOP risk adj.	<b>75</b>	<b>10</b>	10	0	<b>40</b>	<b>28</b>	<b>10</b>	<b>3</b>	<b>0</b>
Net profit	<b>40</b>	<b>7</b>	7	0	<b>33</b>	<b>28</b>	<b>4</b>	<b>1</b>	<b>0</b>
<b>AUA / AUM - bn</b>	<b>38</b>	<b>7</b>	4	3	<b>31</b>	5	15	3	8
<b>RWA - bn</b>	<b>6</b>	<b>3</b>	2	1	<b>3</b>	1	1	-	-
<b>C/I ratio</b>	<b>85%</b>	<b>89%</b>	84%	100%	<b>80%</b>	66%	88%	70%	nm
<b>ROAC (@9%RWA)</b>	<b>8%</b>	<b>3%</b>	5%	0%	<b>14%</b>	28%	3%	nm	nm

# WEALTH MANAGEMENT - TFA TREND

Annex 3

MB Group TFA trend (€bn)





# HOLDING FUNCTIONS RESTATEMENT

## Annex 3

### Corporate Centre - OLD

#### Leasing

#### Other

- ◆ Intercompany
- ◆ Some central costs

€m	TOT	Leasing	Other
<b>Revenues</b>	<b>65</b>	55	10
<b>Costs</b>	<b>(70)</b>	(30)	(40)
<b>LLPs</b>	<b>(15)</b>	(15)	0
<b>Net profit</b>	<b>(10)<sup>1</sup></b>	5	(15) <sup>1</sup>
<b>C/I ratio</b>	<b>108%</b>	53%	nm
<b>RWA - bn</b>	<b>2.2</b>	2.2	-

### Holding Functions - CURRENT

#### Leasing

#### ALM/Treasury

- ◆ Funding
- ◆ Liquidity
- ◆ AFS/HTM portfolio

#### Other

- ◆ Intercompany
- ◆ Some central costs
- ◆ Central direction costs

€m	TOT	ALM/ Treasury	Leasing	Other
<b>Revenues</b>	<b>(5)</b>	(70)	55	10
<b>Costs</b>	<b>(160)</b>	(30)	(30)	(100)
<b>LLPs</b>	<b>(15)</b>	0	(15)	0
<b>Net profit</b>	<b>(115)<sup>1</sup></b>	(70)	5	(50) <sup>1</sup>
<b>C/I ratio</b>	nm	nm	53%	nm
<b>RWA - bn</b>	<b>4.2</b>	2.0	2.2	-

# WB AND HF RESTATEMENT FROM OLD TO NEW

## Annex 3

Wholesale Banking Corporate & IB FY16 - €m	Wholesale Banking OLD	<u>LESS</u> ALM/ Treasury	<u>LESS</u> Central Costs	Wholesale Banking NEW	<u>PLUS</u> SPECIALTY FINANCE	CIB NEW
Revenues	500	+70		570	55	625
Costs	(300)	+30	+60	(210)	(30)	(240)
Net profit	100	+70	+35	205	15	220
C/I ratio	60%			37%	50%	38%
RWA - €bn	28	-2		26	1	27

Corporate Centre/ Holding Functions FY16 - €m	Corporate Centre OLD	<u>PLUS</u> ALM/ Treasury	<u>PLUS</u> Central Costs	Holding Functions NEW	
Revenues	65	-70		(5)	
Costs	(70)	-30	-60	(160)	
Net result	(10) <sup>1</sup>	-70	-35	(115) <sup>1</sup>	
RWA - €bn	2.2	+2.0		4.2	

# DISCLAIMER

This presentation contains certain forward-looking statements, estimates and targets with respect to the operating results, financial condition and business of the Mediobanca Banking Group. Such statements and information, although based upon Mediobanca's best knowledge at present, are certainly subject to unforeseen risk and change. Future results or business performance could differ materially from those expressed or implied by such forward-looking statements and forecasts. The statements have been based upon a reference scenario drawing on economic forecasts and assumptions, including the regulatory environment.

## Declaration by Head of Company Financial Reporting

As required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98, the undersigned hereby declares that the stated accounting information contained in this report conforms to the documents, account ledgers and book entries of the company.

Head of Company Financial Reporting

Massimo Bertolini

# INVESTOR CONTACTS

## Mediobanca Group Investor Relations

Piazzetta Cuccia 1, 20121 Milan, Italy

Jessica Spina            Tel. no. (0039) 02-8829.860

Luisa Demaria         Tel. no. (0039) 02-8829.647

Matteo Carotta        Tel. no. (0039) 02-8829.290

Email: [investor.relations@mediobanca.com](mailto:investor.relations@mediobanca.com)

<http://www.mediobanca.com>