

July 31, 2018



# **H1 2018 RESULTS & BUSINESS UPDATE**

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# H1 2018 Group Results

## H1 beats consensus thanks to exceptional Q2

- **Contribution Margin:** +8% shows healthy Commission Income & sustainable growth across the board
- **Operating Margin:** +21% proves the strength of underlying business, despite costs from new initiatives
- **Net Interest Income:** +15% in Q2 vs Q1 due to good management of retail cost of funding & increase in treasury assets (front-loading of govies). Higher NII guidance for year-end (close to 2017 figure)
- **G&A Expenses:** In line with expectations: +3% ongoing business, +3% new initiatives
- **New Initiatives:** EuroCQS, IB, IRL AM Team, Wealth Mgmt: concrete benefits already evident
- **Cost/Income Ratio Target:** to drop from 52% to 48% by 2020
- **Performance Fees New Methodology:** annual calculation & absolute HWM to greatly reduce weight on P&L in favour of much higher weight of recurring fees
- **Change of Treasury Business Model:** to maintain low risk profile in managing bond portfolio in current environment: preference given to stability of medium/long-term treasury income. New framework CET1 19.8% vs. old framework 16.2% (June 30, 2018)

|   | H118         | H117         | Change      |
|---|--------------|--------------|-------------|
| Entry fees                                | 25.6         | 44.3         | -42%        |
| Management fees                           | 501.2        | 475.8        | +5%         |
| Net Insurance revenues ex U-L commissions | 15.6         | 17.5         | -11%        |
| Banking service fees                      | 47.1         | 42.7         | +10%        |
| Other fees                                | 25.6         | 19.2         | +33%        |
| <b>Gross Commission income</b>            | <b>615.2</b> | <b>599.6</b> | <b>+3%</b>  |
| Acquisition costs                         | (257.1)      | (260.9)      | -1%         |
| Other commission expenses                 | (33.8)       | (32.5)       | +4%         |
| <b>Net Commission Income</b>              | <b>324.3</b> | <b>306.2</b> | <b>+6%</b>  |
| Net interest income                       | 87.1         | 94.3         | -8%         |
| Equity contribution                       | 6.8          | 6.6          | +3%         |
| Net income on other investments           | 14.0         | (4.7)        | n.s.        |
| <i>o/w Impairment on loans</i>            | (7.2)        | (7.6)        | -5%         |
| Other revenues                            | 19.7         | 14.9         | +32%        |
| <b>Contribution Margin</b>                | <b>451.8</b> | <b>417.4</b> | <b>+8%</b>  |
| G&A expenses                              | (270.5)      | (255.8)      | +6%         |
| Regular Contributions to Banking Industry | (5.9)        | (6.5)        | -9%         |
| Amortization & Depreciation               | (18.5)       | (17.5)       | +6%         |
| Provisions for risks & charges            | (17.9)       | (22.3)       | -20%        |
| <b>Operating Margin</b>                   | <b>139.2</b> | <b>115.3</b> | <b>+21%</b> |
| Performance fees                          | 84.6         | 88.7         | -5%         |
| Net income on investments at fair value   | (9.3)        | 8.4          | n.s.        |
| <b>Market Effects</b>                     | <b>75.3</b>  | <b>97.1</b>  | <b>-22%</b> |
| Capital Gains                             | 0            | 41.6         | n.s.        |
| One-off Contributions to Banking Industry | (1.8)        | (25.0)       | -93%        |
| <b>One-offs</b>                           | <b>(1.8)</b> | <b>16.6</b>  | <b>n.s.</b> |
| <b>PROFIT BEFORE TAX</b>                  | <b>212.7</b> | <b>229.0</b> | <b>-7%</b>  |
| Income tax                                | (37.3)       | (32.6)       | +14%        |
| <b>NET INCOME</b>                         | <b>175.3</b> | <b>196.4</b> | <b>-11%</b> |

|   | Q117         | Q217         | Q317         | Q417         | Q118         | Q218         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Entry fees                                | 19.8         | 24.5         | 16.0         | 16.6         | 14.1         | 11.6         |
| Management fees                           | 233.6        | 242.2        | 246.2        | 254.1        | 250.3        | 250.9        |
| Net Insurance revenues ex U-L commissions | 9.4          | 8.2          | 4.5          | 7.1          | 6.3          | 9.4          |
| Banking service fees                      | 21.8         | 20.9         | 20.2         | 21.5         | 24.0         | 23.1         |
| Other fees                                | 9.2          | 10.0         | 9.5          | 10.5         | 12.1         | 13.5         |
| <b>Gross Commission income</b>            | <b>293.9</b> | <b>305.7</b> | <b>296.4</b> | <b>309.8</b> | <b>306.8</b> | <b>308.4</b> |
| Acquisition costs                         | (128.5)      | (132.4)      | (132.7)      | (141.7)      | (128.2)      | (128.9)      |
| Other commission expenses                 | (15.8)       | (16.7)       | (16.4)       | (16.6)       | (16.1)       | (17.7)       |
| <b>Net Commission Income</b>              | <b>149.6</b> | <b>156.6</b> | <b>147.3</b> | <b>151.6</b> | <b>162.4</b> | <b>161.8</b> |
| Net interest income                       | 45.0         | 49.4         | 43.2         | 40.9         | 40.5         | 46.6         |
| Equity contribution                       | 0            | 6.6          | 14.7         | 5.8          | 0            | 6.8          |
| Net income on other investments           | (2.4)        | (2.3)        | (3.4)        | 1.4          | 3.7          | 10.3         |
| <i>o/w Impairment on loans</i>            | (3.1)        | (4.6)        | (1.4)        | (2.2)        | (6.2)        | (1.0)        |
| Other revenues                            | 7.0          | 7.9          | 5.6          | 7.1          | 12.3         | 7.4          |
| <b>Contribution Margin</b>                | <b>199.1</b> | <b>218.2</b> | <b>207.4</b> | <b>206.8</b> | <b>218.9</b> | <b>232.9</b> |
| G&A expenses                              | (124.8)      | (131.0)      | (117.8)      | (133.8)      | (131.6)      | (138.9)      |
| Regular Contributions to Banking Industry | (5.9)        | (0.6)        | (9.3)        | (0.2)        | (5.2)        | (0.7)        |
| Amortization & Depreciation               | (8.5)        | (9.0)        | (9.5)        | (9.5)        | (9.0)        | (9.5)        |
| Provisions for risks & charges            | (10.3)       | (12.0)       | (11.2)       | (21.4)       | (10.8)       | (7.1)        |
| <b>Operating Margin</b>                   | <b>49.6</b>  | <b>65.6</b>  | <b>59.5</b>  | <b>41.9</b>  | <b>62.3</b>  | <b>76.9</b>  |
| Performance fees                          | 66.8         | 21.9         | 37.3         | 87.5         | 21.5         | 63.1         |
| Net income on investments at fair value   | 1.6          | 6.8          | 1.1          | (0.4)        | (3.0)        | (6.3)        |
| <b>Market Effects</b>                     | <b>68.5</b>  | <b>28.7</b>  | <b>38.5</b>  | <b>87.1</b>  | <b>18.5</b>  | <b>56.8</b>  |
| Capital Gains                             | 0            | 41.6         | 0            | 2.1          | 0            | 0            |
| One-off Contributions to Banking Industry | (6.8)        | (18.2)       | (9.8)        | (1.2)        | 0            | (1.8)        |
| <b>One-offs</b>                           | <b>(6.8)</b> | <b>23.3</b>  | <b>(9.8)</b> | <b>0.9</b>   | <b>0</b>     | <b>(1.8)</b> |
| <b>PROFIT BEFORE TAX</b>                  | <b>111.4</b> | <b>117.7</b> | <b>88.2</b>  | <b>129.9</b> | <b>80.8</b>  | <b>131.9</b> |
| Income tax                                | (26.5)       | (6.1)        | (5.4)        | (29.1)       | (21.3)       | (16.1)       |
| <b>NET INCOME</b>                         | <b>84.9</b>  | <b>111.5</b> | <b>82.8</b>  | <b>100.8</b> | <b>59.5</b>  | <b>115.8</b> |

## New initiatives objective is to deliver tangible benefits in the short term



- Acquired Dec. 2017
- Loans granted in H118: € 125 mn
- Market share in just 6 mos.: 6%
- Expected contribution FY18 Net Income: ~ €2 mn



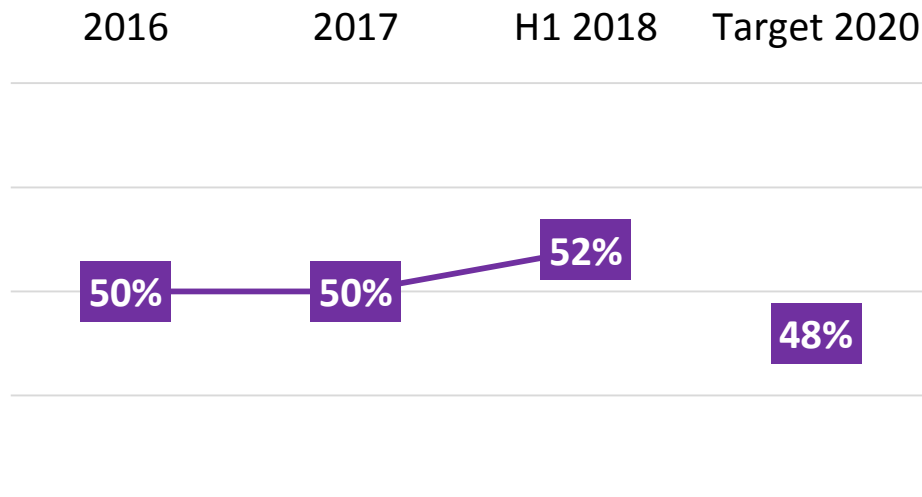
- Created Dec. 2017
- Nominated Advisor (NOMAD) since June 2018
- Contact made with over 250 companies
- Around 10 works-in-progress
- Expected break-even: end of 2019



- Management Team increased by 10 in H118
- Significant improvement of fund performance in H118
- Expected increase of our funds appeal over time

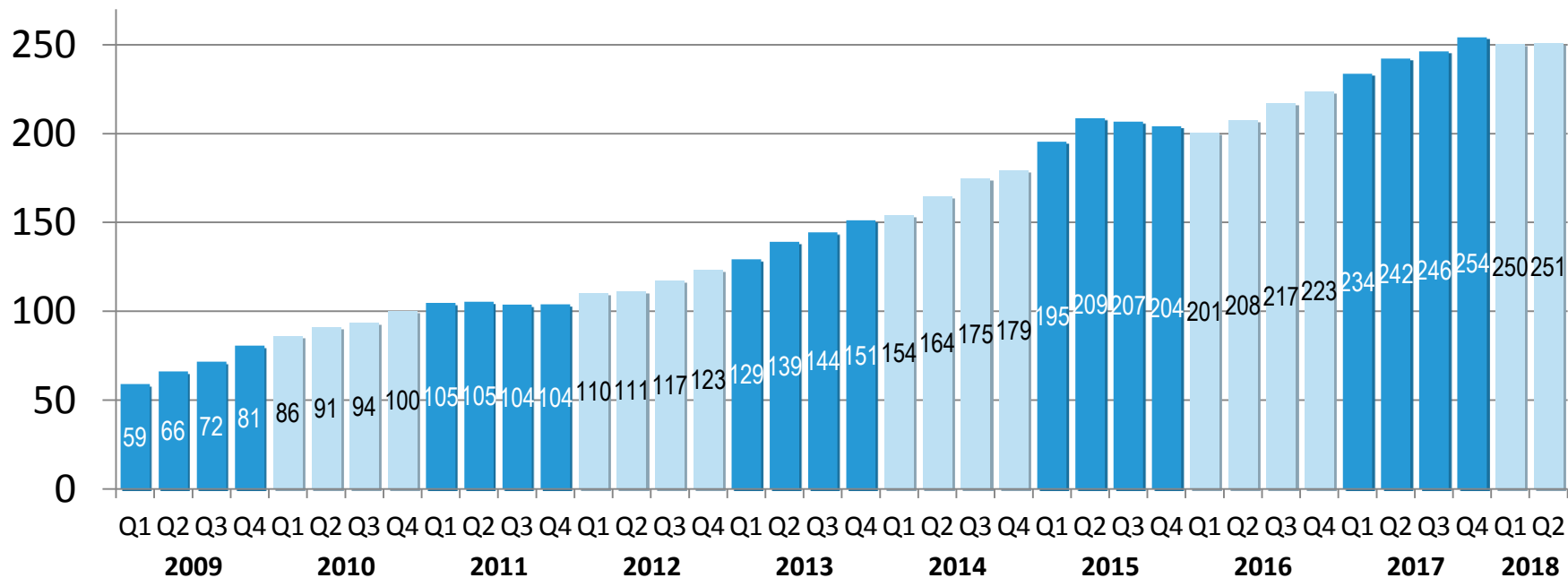


- Created in 2017 to serve HNWI >2mn assets
- Since beginning of 2017:
  - HNWI customers increased by 19%
  - HNWI assets increased by 24%



- **3-year Target: Cost/Income Ratio to 48%**
- H1 2018 higher than 2016 & 2017 due to new initiatives that will add to the bottom line
  - EuroCQS
  - Investment Banking
  - AM Team in Ireland
  - Wealth Management





194

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200

200

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200

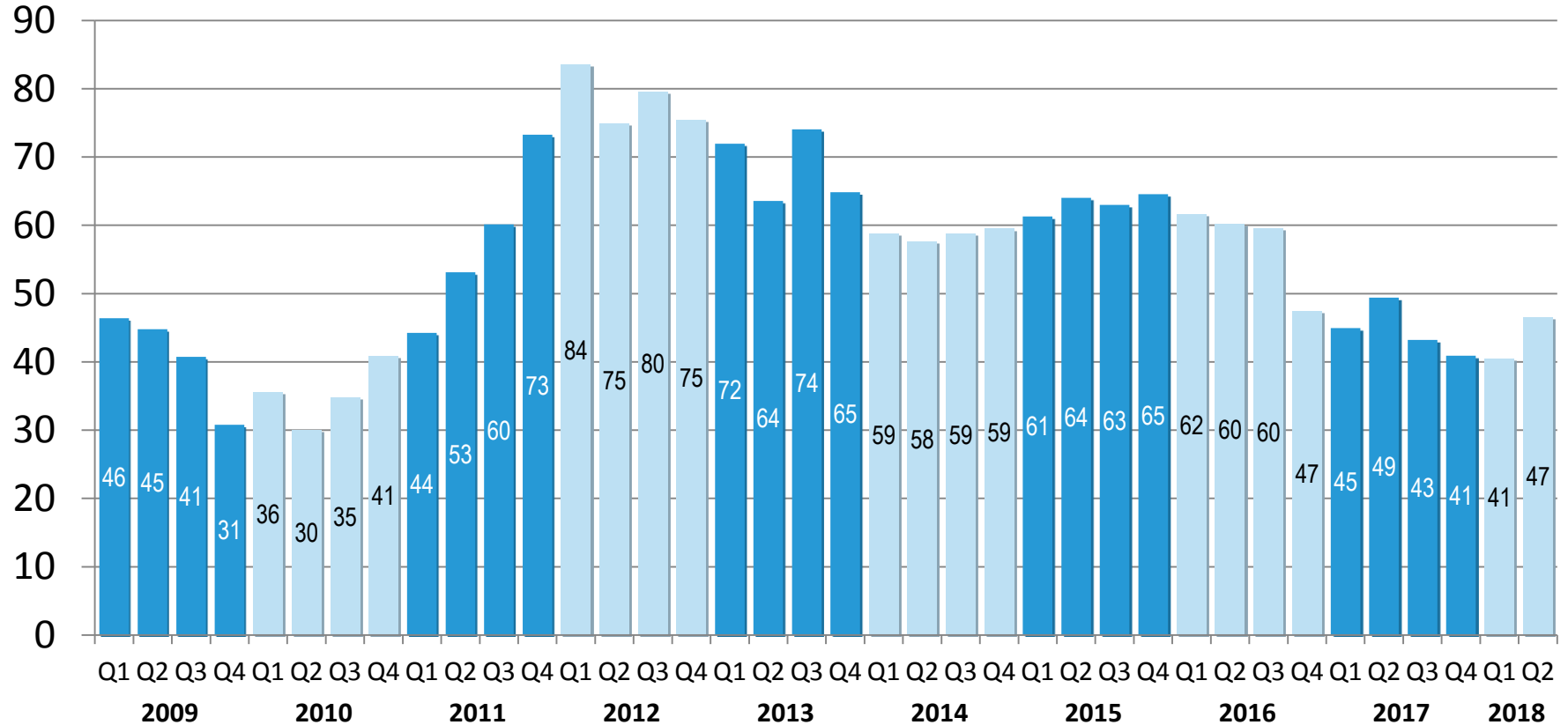
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187\*

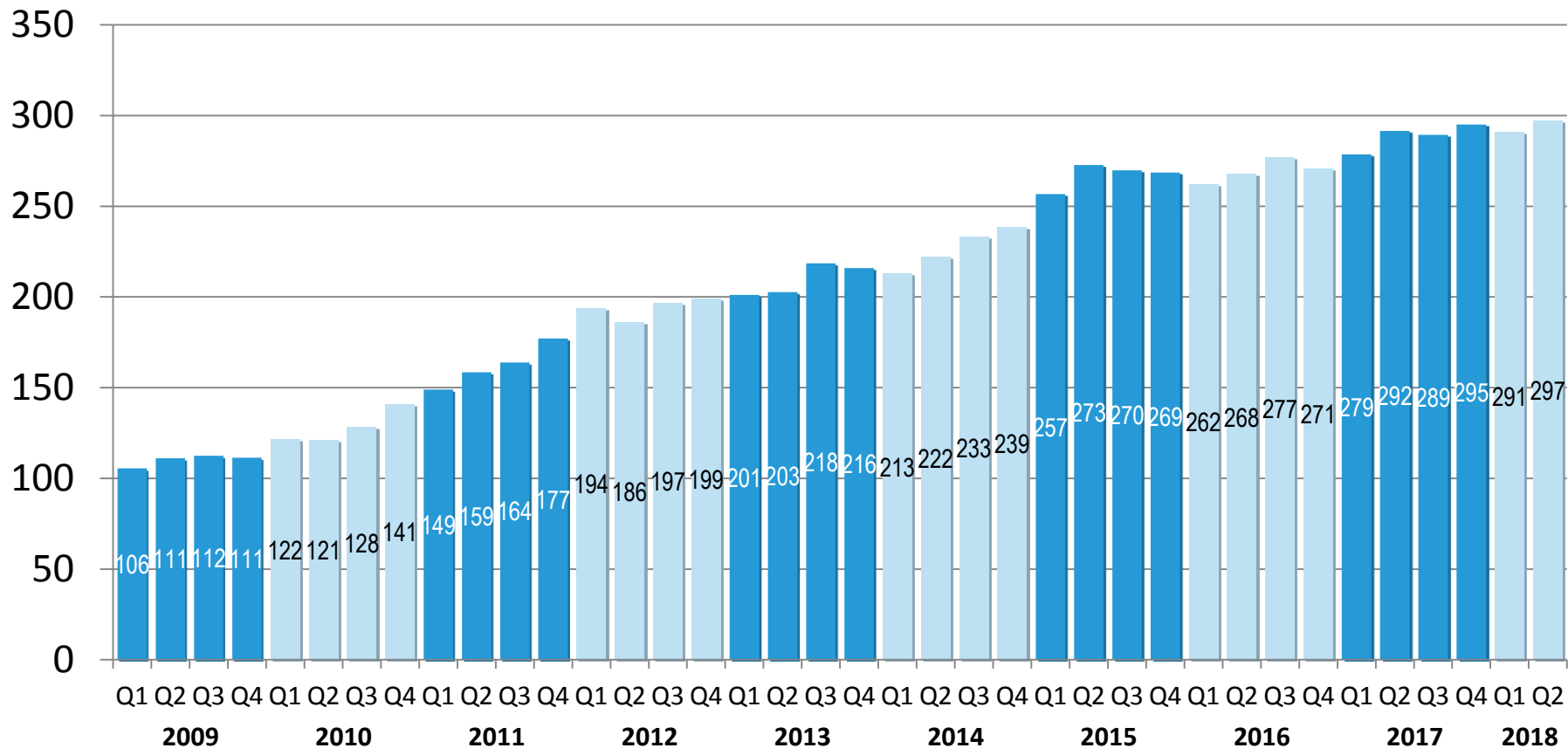
Yearly bps on average assets

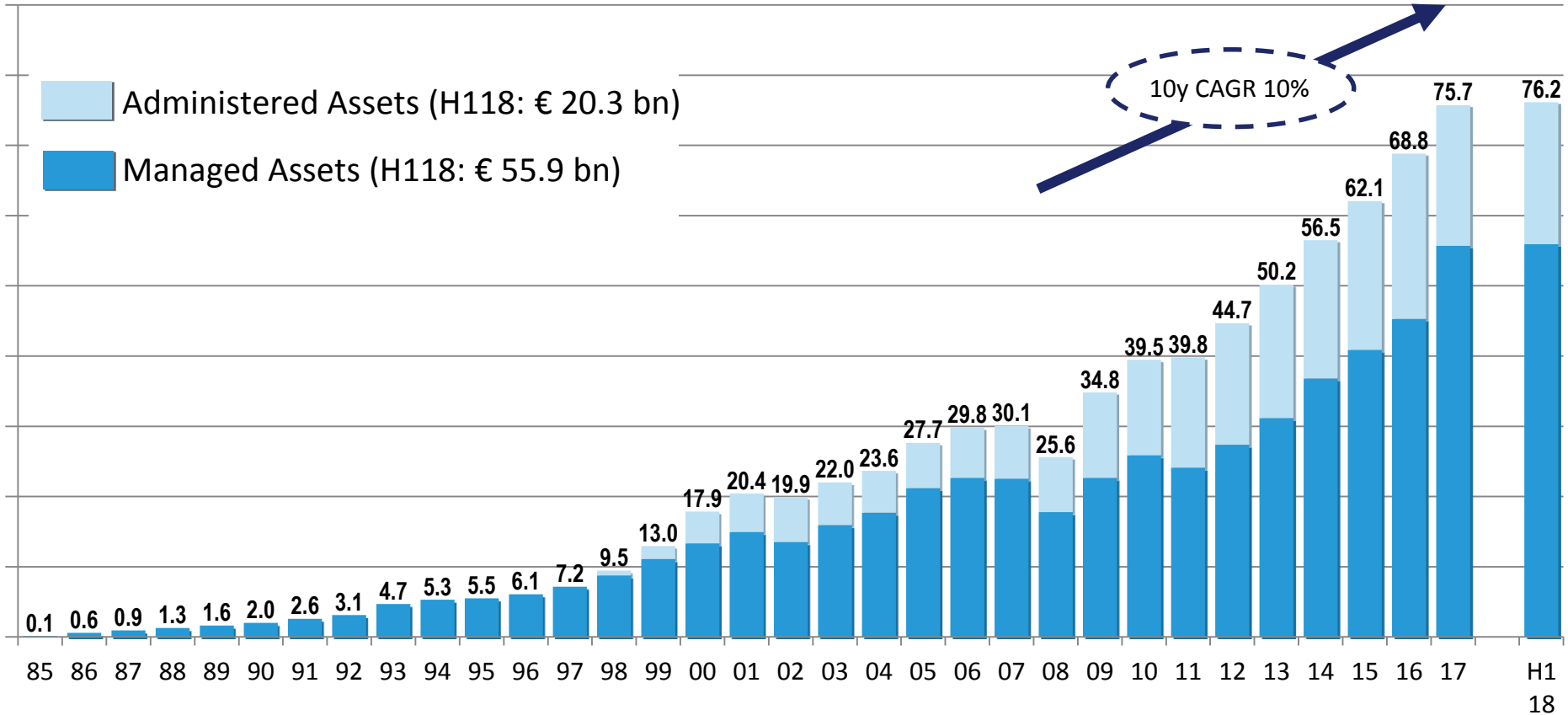
\* Reduction mainly due to: repricing of PIR products in January (over 3 bps), negative market effect (1bps), asset mix (3 bps)



# Quarterly Recurring Revenues

## Commission Income from Mgmt Fees + NII (€ mn)





Figures do not include Banca Esperia assets, part of the group from 2001-2017

# 13 Assets under Administration/Management

€ mn



H1 2018  
Group

|   | 30/06/18        | 31/12/17        | Change     | 30/06/17        | Change      |
|---|-----------------|-----------------|------------|-----------------|-------------|
| Mutual Funds & U-L Policies             | 50,109.1        | 50,006.8        | +0%        | 47,159.8        | +6%         |
| 'Freedom' Life Policies                 | 169.9           | 183.8           | -8%        | 212.1           | -20%        |
| Other Life Insurance products           | 1,428.8         | 1,412.4         | +1%        | 1,391.8         | +3%         |
| Banking                                 | 18,914.0        | 18,805.4        | +1%        | 18,489.6        | +2%         |
| <b>Italy – Banca Mediolanum</b>         | <b>70,621.9</b> | <b>70,408.3</b> | <b>+0%</b> | <b>67,253.4</b> | <b>+5%</b>  |
| Mutual Funds & U-L Policies             | 3,463.6         | 3,229.3         | +7%        | 2,854.2         | +21%        |
| Other Insurance Products                | 59.5            | 105.8           | -44%       | 145.5           | -59%        |
| Banking                                 | 1,384.6         | 1,326.4         | +4%        | 1,346.7         | +3%         |
| <b>Spain – Banco Mediolanum</b>         | <b>4,907.7</b>  | <b>4,661.6</b>  | <b>+5%</b> | <b>4,346.4</b>  | <b>+13%</b> |
| Mutual Funds & U-L Policies             | 468.4           | 480.5           | -3%        | 446.2           | +5%         |
| Other Insurance Products                | 10.2            | 19.3            | -47%       | 20.3            | -50%        |
| Banking                                 | 153.2           | 147.6           | +4%        | 142.4           | +8%         |
| <b>Germany – B. A. Lenz &amp; Gamax</b> | <b>631.8</b>    | <b>647.4</b>    | <b>-2%</b> | <b>608.9</b>    | <b>+4%</b>  |
| <b>TOTAL AUA/AUM</b>                    | <b>76,161.4</b> | <b>75,717.2</b> | <b>+1%</b> | <b>72,208.6</b> | <b>+5%</b>  |

|  | H1 2018       | H1 2017       |
|--|---------------|---------------|
| <b>Managed Assets</b>                                    | <b>+1,664</b> | <b>+2,592</b> |
| <i>o/w Mutual Funds, U-L &amp; Managed Accounts</i>      | <i>+1,765</i> | <i>+2,960</i> |
| <b>Administered Assets</b>                               | <b>+452</b>   | <b>-286</b>   |
| <b>GROUP TOTAL NET INFLOWS</b>                           | <b>+2,116</b> | <b>+2,306</b> |
| Managed Assets   | +1,422        | +2,281        |
| <i>o/w Mutual Funds, U-L &amp; Managed Accounts</i>      | <i>+1,467</i> | <i>+2,603</i> |
| Administered Assets                                      | +400          | -313          |
| <b>Italy – Banca Mediolanum Total Net Inflows</b>        | <b>+1,822</b> | <b>+1,968</b> |
| Managed Assets   | +254          | +308          |
| <i>o/w Mutual Funds &amp; U-L</i>                        | <i>+302</i>   | <i>+347</i>   |
| Administered Assets                                      | +47           | +31           |
| <b>Spain – Banco Mediolanum Total Net Inflows</b>        | <b>+301</b>   | <b>+339</b>   |
| Managed Assets   | -13           | +4            |
| <i>o/w Mutual Funds &amp; U-L</i>                        | <i>-3</i>     | <i>+9</i>     |
| Administered Assets                                      | +6            | -5            |
| <b>Germany – B.A. Lenz &amp; Gamax Total Net Inflows</b> | <b>-7</b>     | <b>0</b>      |

**FY17**
**H118**
**H118**  
 PRO-FORMA\*

## GROUP CAPITAL RATIOS

Total Capital Ratio

22.0%      16.3%      19.8%

Common Equity Tier 1 Ratio

21.9%      16.2%      19.8%

**Total Regulatory Capital Held**
**2,039      1,637      1,936**

Required Capital – Banks \*\*

757      786      801

Solvency Capital Req. – Insurance companies\*\*\*

701      661      661

**Total Required Capital**
**1,458      1,447      1,462**
**EXCESS CAPITAL**
**581      190      474**

\* 'Pro-forma' simulates H1 Ratios applying the new Treasury business model to the current bond portfolio. New bond accounting effective Oct. 1<sup>st</sup>

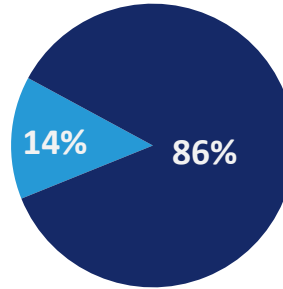
\*\* As per SREP, BMED required capital is 10.9% (min. Total Capital Ratio) of consolidated RWA (€ 7,929 mn as at 30/06/2018), excl. stakes in insurance companies

\*\*\* H118 reconciliation reserve (part of total reg. capital held) & solvency capital req. are calculated according to the Solvency II as at 31/03/2018

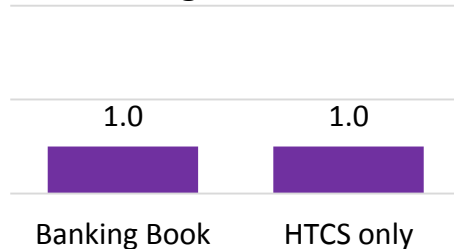
## H1 2018 Book: € 15.47 bn

| Sector     | %     |
|------------|-------|
| Government | 99.1% |
| Financial  | 0.9%  |
|            |       |
| Govies     | %     |
| Italy      | 98.0% |
| Spain      | 1.6%  |
| Other      | 0.4%  |

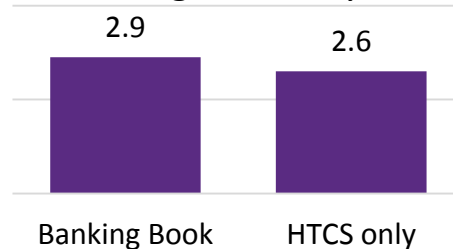
■ HTC  
■ HTCS



## Avg. Duration



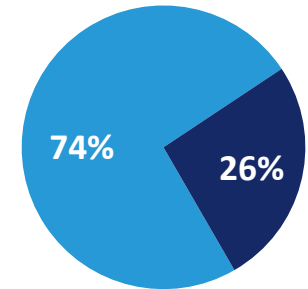
## Avg. Maturity



## New Framework

## FY 2018 Book: € 13.62 bn

■ HTC  
■ HTCS



## H2 estimates include:

- € 4.3 bn of govies reaching maturity
- purchase of € 2.4 bn of govies



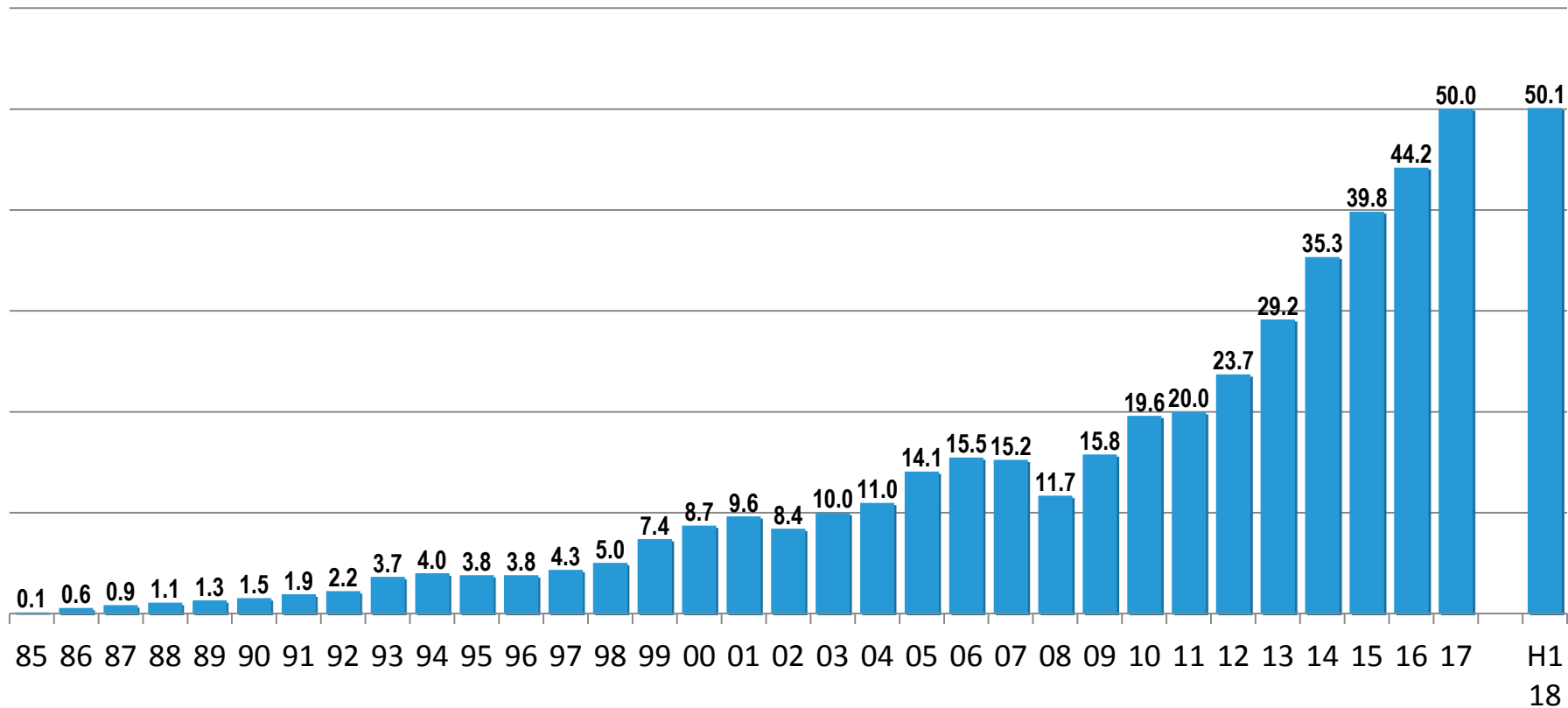


# H1 2018 Domestic Market Results

|   | H118         | H117         | Change      |
|---|--------------|--------------|-------------|
| Entry fees                                | 19.7         | 38.1         | -48%        |
| Management fees                           | 467.2        | 446.4        | +5%         |
| Net Insurance revenues ex U-L commissions | 10.1         | 11.2         | -10%        |
| Banking service fees                      | 34.6         | 30.9         | +12%        |
| Other fees                                | 24.5         | 18.2         | +34%        |
| <b>Gross Commission income</b>            | <b>556.1</b> | <b>545.0</b> | <b>+2%</b>  |
| Acquisition costs                         | (235.8)      | (239.6)      | -2%         |
| Other commission expenses                 | (22.3)       | (21.9)       | +2%         |
| <b>Net Commission Income</b>              | <b>298.0</b> | <b>283.4</b> | <b>+5%</b>  |
| Net interest income                       | 83.8         | 89.4         | -6%         |
| Equity contribution                       | 6.8          | 6.6          | +3%         |
| Net income on other investments           | 13.8         | (4.4)        | n.s.        |
| <i>o/w Impairment on loans</i>            | (7.2)        | (7.3)        | -1%         |
| Other revenues                            | 18.2         | 13.2         | +38%        |
| <b>Contribution Margin</b>                | <b>420.6</b> | <b>388.1</b> | <b>+8%</b>  |
| G&A expenses                              | (240.7)      | (228.3)      | +5%         |
| Regular Contributions to Banking Industry | (4.7)        | (5.4)        | -13%        |
| Amortization & Depreciation               | (16.4)       | (16.0)       | +2%         |
| Provisions for risks & charges            | (17.3)       | (21.9)       | -21%        |
| <b>Operating Margin</b>                   | <b>141.5</b> | <b>116.6</b> | <b>+21%</b> |
| Performance fees                          | 77.3         | 82.8         | -7%         |
| Net income on investments at fair value   | (10.1)       | 8.3          | n.s.        |
| <b>Market Effects</b>                     | <b>67.3</b>  | <b>91.1</b>  | <b>-26%</b> |
| Capital Gains                             | 0            | 41.6         | n.s.        |
| One-off Contributions to Banking Industry | (1.8)        | (25.0)       | -93%        |
| <b>One-offs</b>                           | <b>(1.8)</b> | <b>16.6</b>  | <b>n.s.</b> |
| <b>PROFIT BEFORE TAX</b>                  | <b>206.9</b> | <b>224.2</b> | <b>-8%</b>  |
| Income tax                                | (34.7)       | (30.3)       | +15%        |
| <b>NET INCOME</b>                         | <b>172.2</b> | <b>194.0</b> | <b>-11%</b> |

|   | Q117         | Q217         | Q317         | Q417         | Q118         | Q218         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Entry fees                                | 16.8         | 21.4         | 13.4         | 13.8         | 10.9         | 8.8          |
| Management fees                           | 219.4        | 227.0        | 230.6        | 237.6        | 233.3        | 233.9        |
| Net Insurance revenues ex U-L commissions | 6.1          | 5.1          | 2.1          | 3.7          | 3.5          | 6.6          |
| Banking service fees                      | 16.1         | 14.9         | 14.2         | 15.2         | 17.8         | 16.8         |
| Other fees                                | 8.8          | 9.5          | 9.0          | 9.9          | 11.6         | 12.9         |
| <b>Gross Commission income</b>            | <b>267.1</b> | <b>277.9</b> | <b>269.3</b> | <b>280.1</b> | <b>277.0</b> | <b>279.1</b> |
| Acquisition costs                         | (118.1)      | (121.5)      | (123.1)      | (132.1)      | (117.5)      | (118.2)      |
| Other commission expenses                 | (10.9)       | (11.1)       | (11.0)       | (10.9)       | (10.8)       | (11.5)       |
| <b>Net Commission Income</b>              | <b>138.1</b> | <b>145.3</b> | <b>135.2</b> | <b>137.1</b> | <b>148.7</b> | <b>149.3</b> |
| Net interest income                       | 42.5         | 46.9         | 41.9         | 39.4         | 39.1         | 44.6         |
| Equity contribution                       | 0            | 6.6          | 14.7         | 5.8          | 0            | 6.8          |
| Net income on other investments           | (2.3)        | (2.2)        | (3.1)        | 1.5          | 3.7          | 10.1         |
| <i>o/w Impairment on loans</i>            | (2.9)        | (4.4)        | (1.1)        | (2.2)        | (6.2)        | (1.0)        |
| Other revenues                            | 6.4          | 6.8          | 5.0          | 6.1          | 11.5         | 6.7          |
| <b>Contribution Margin</b>                | <b>184.7</b> | <b>203.4</b> | <b>193.6</b> | <b>189.9</b> | <b>203.0</b> | <b>217.6</b> |
| G&A expenses                              | (110.3)      | (118.0)      | (104.6)      | (118.9)      | (116.6)      | (124.1)      |
| Regular Contributions to Banking Industry | (5.4)        | 0            | (8.9)        | 0.2          | (4.6)        | (0.2)        |
| Amortization & Depreciation               | (7.8)        | (8.2)        | (8.7)        | (8.6)        | (7.9)        | (8.4)        |
| Provisions for risks & charges            | (10.1)       | (11.8)       | (11.0)       | (21.1)       | (10.5)       | (6.8)        |
| <b>Operating Margin</b>                   | <b>51.1</b>  | <b>65.4</b>  | <b>60.3</b>  | <b>41.4</b>  | <b>63.4</b>  | <b>78.1</b>  |
| Performance fees                          | 62.7         | 20.1         | 34.7         | 83.3         | 19.7         | 57.7         |
| Net income on investments at fair value   | 1.5          | 6.7          | 1.1          | (0.5)        | (3.1)        | (7.0)        |
| <b>Market Effects</b>                     | <b>64.3</b>  | <b>26.8</b>  | <b>35.8</b>  | <b>82.9</b>  | <b>16.6</b>  | <b>50.7</b>  |
| Capital Gains                             | 0            | 41.6         | 0            | 2.1          | 0            | 0            |
| One-off Contributions to Banking Industry | (6.8)        | (18.2)       | (9.8)        | (1.2)        | 0            | (1.8)        |
| <b>One-offs</b>                           | <b>(6.8)</b> | <b>23.3</b>  | <b>(9.8)</b> | <b>0.9</b>   | <b>0</b>     | <b>(1.8)</b> |
| <b>PROFIT BEFORE TAX</b>                  | <b>108.6</b> | <b>115.6</b> | <b>86.3</b>  | <b>125.2</b> | <b>80.0</b>  | <b>127.0</b> |
| Income tax                                | (25.2)       | (5.1)        | (4.3)        | (27.6)       | (20.1)       | (14.7)       |
| <b>NET INCOME</b>                         | <b>83.5</b>  | <b>110.5</b> | <b>82.1</b>  | <b>97.6</b>  | <b>59.9</b>  | <b>112.3</b> |

|  | H118         | H117         | Change      |
|--|--------------|--------------|-------------|
| One-time commissions                         | 30.1         | 41.3         | -27%        |
| Ongoing commissions                          | 162.7        | 154.6        | +5%         |
| <b>Total commissions</b>                     | <b>192.9</b> | <b>195.9</b> | <b>-2%</b>  |
| Incentives on individual net inflows         | 19.4         | 22.7         | -14%        |
| Contests & bonuses                           | 5.5          | 6.9          | -20%        |
| Reimbursement of costs for customer events   | 2.5          | 5.5          | -55%        |
| <b>Total incentives &amp; bonuses</b>        | <b>27.4</b>  | <b>35.1</b>  | <b>-22%</b> |
| <b>Costs related to the agency agreement</b> | <b>6.7</b>   | <b>8.7</b>   | <b>-22%</b> |
| <b>EuroCQS Agent Commissions</b>             | <b>8.8</b>   | <b>0</b>     | <b>n.s.</b> |
| <b>TOTAL ACQUISITION COSTS</b>               | <b>235.8</b> | <b>239.6</b> | <b>-2%</b>  |



# Mutual Funds

## Assets under Management

€ mn

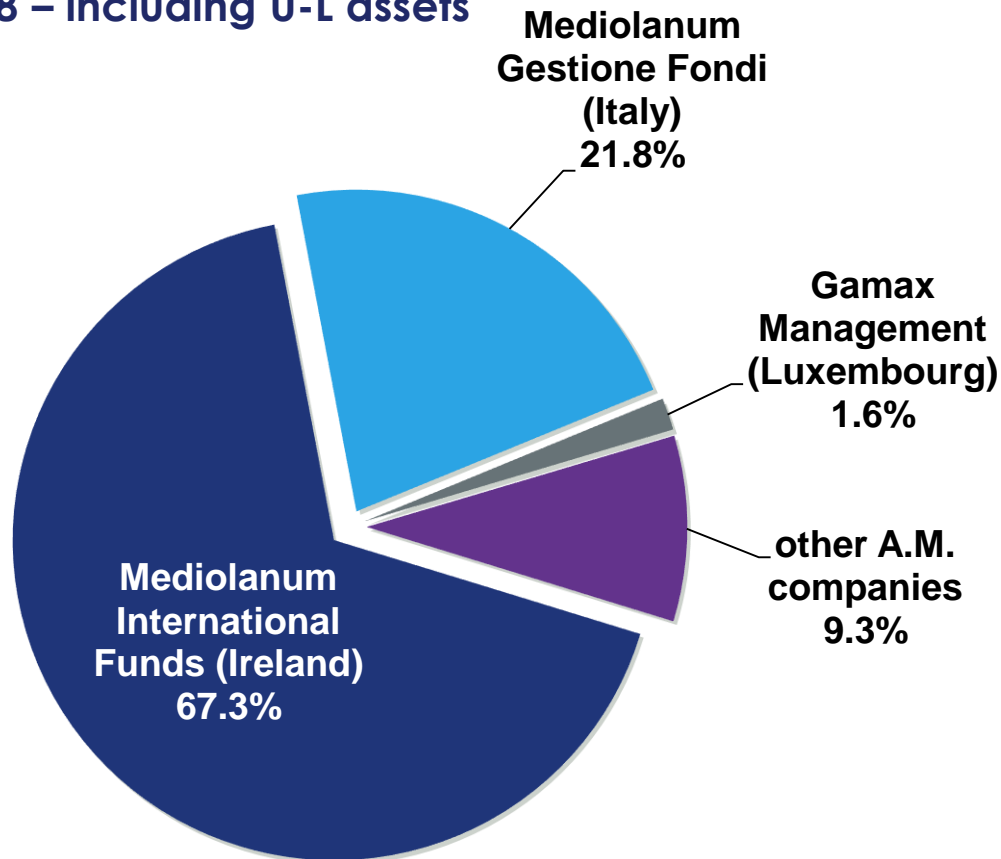


|   | 30/06/18          | 31/12/17          | Change      | 30/06/17          | Change      |
|---|-------------------|-------------------|-------------|-------------------|-------------|
| 'Best Brands' funds of funds (IRL)                            | 19,169.3          | 19,655.4          | -2%         | 19,390.0          | -1%         |
| 'Portfolio' funds of funds (IRL)                              | 0                 | 316.7             | n.s.        | 330.6             | n.s.        |
| 'Challenge' mutual funds (IRL)                                | 13,925.3          | 14,294.2          | -3%         | 13,969.7          | -0%         |
| Funds of Hedge Funds (IRL)                                    | 62.0              | 64.2              | -3%         | 73.2              | -15%        |
| 'Fondi Italia' mutual funds (ITA)                             | 9,969.3           | 9,953.0           | +0%         | 8,844.5           | +13%        |
| 'Real estate' fund (ITA)                                      | 331.5             | 304.9             | +9%         | 309.7             | +7%         |
| 3rd-party stand-alone funds                                   | 2,761.0           | 2,409.3           | +15%        | 1,883.3           | +47%        |
| Other   | 1,215.6           | 1,037.4           | +17%        | 923.3             | +32%        |
| <i>Adj. for own mutual funds in FoFs &amp; Managed accts.</i> | <i>(207.7)</i>    | <i>(402.5)</i>    | <i>-48%</i> | <i>(423.7)</i>    | <i>-51%</i> |
| 'MyLife' U-L policy   | 5,683.2           | 5,312.1           | +7%         | 4,827.3           | +18%        |
| Other U-L policies  | 13,378.8          | 13,097.2          | +2%         | 12,351.9          | +8%         |
| <i>Adj. for own mutual funds in U-L policies</i>              | <i>(16,179.1)</i> | <i>(16,035.1)</i> | <i>+1%</i>  | <i>(15,320.0)</i> | <i>+6%</i>  |
| <b>ASSETS IN MUTUAL FUNDS &amp; U-L</b>                       | <b>50,109.1</b>   | <b>50,006.8</b>   | <b>+0%</b>  | <b>47,159.8</b>   | <b>+6%</b>  |

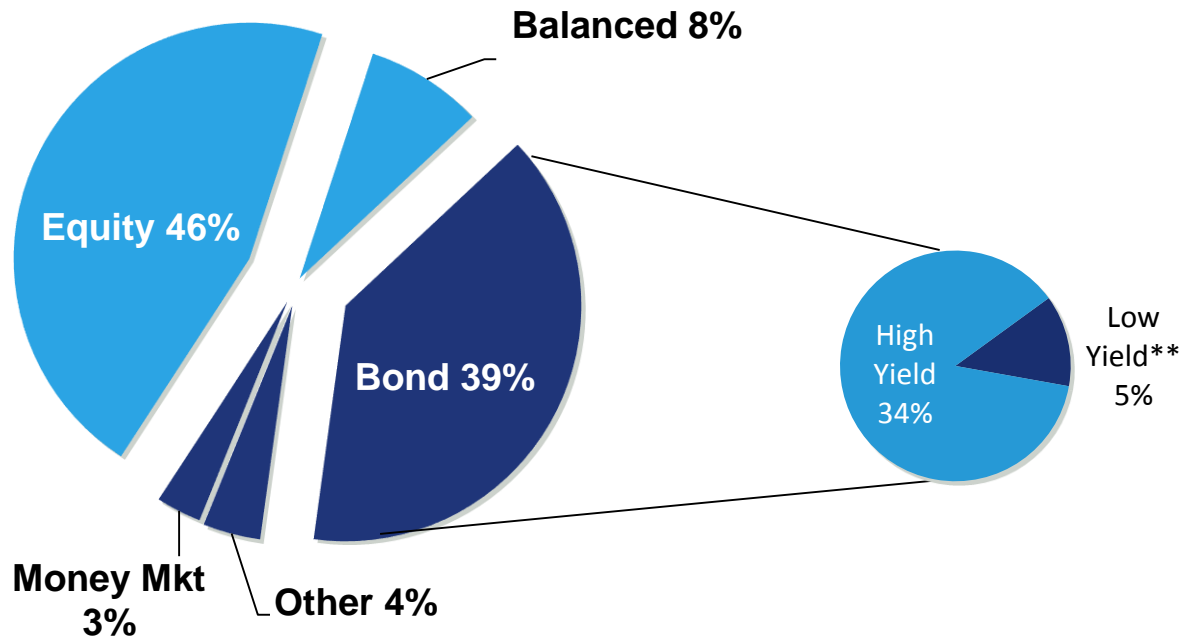
# Mutual Funds

## Assets by A.M. company

as at 30/06/2018 – including U-L assets



# Mutual Funds Assets\* by category as at 30/06/2018 – including U-L assets



\* Flexible funds are classified according to their equivalent risk level

\*\* 'Low Yield Bond' segment includes Euro-zone + Japan govies



# Banking Assets under Administration

€ mn



|                                    | 30/06/18        | 31/12/17        | Change     | 30/06/17        | Change     |
|------------------------------------|-----------------|-----------------|------------|-----------------|------------|
| Cash Deposits                      | 15,709.8        | 15,518.1        | +1%        | 15,284.1        | +3%        |
| Repurchase agreements              | 37.6            | 41.4            | -9%        | 31.2            | +21%       |
| Mediolanum bonds                   | 53.5            | 80.2            | -33%       | 89.9            | -41%       |
| 3rd-party structured bonds         | 367.2           | 444.4           | -17%       | 482.5           | -24%       |
| Other securities                   | 2,745.8         | 2,721.4         | +1%        | 2,601.9         | +6%        |
| <b>BANKING ADMINISTERED ASSETS</b> | <b>18,914.0</b> | <b>18,805.4</b> | <b>+1%</b> | <b>18,489.6</b> | <b>+2%</b> |

|                               | Nominal Interest Rate | 30/06/2018 | 30/06/2017 | Change      |
|-------------------------------|-----------------------|------------|------------|-------------|
| Mortgages                     | 1.35%                 | 578        | 446        | +30%        |
| Personal & Commercial Loans   | 3.13%                 | 285        | 290        | -2%         |
| Salary-backed Loans (EuroCQS) | 5.78%                 | 125        | -          | n.a.        |
| <b>Total</b>                  |                       | <b>988</b> | <b>736</b> | <b>+34%</b> |
| 3rd-party loans               | n.s.                  | 14         | 17         | -18%        |

# Banking Credit Book & Quality

€ mn – as at 30/06/2018



|                               | 30/06/18     | 31/12/17     | Change     | 30/06/17     | Change      |
|-------------------------------|--------------|--------------|------------|--------------|-------------|
| Mortgages                     | 6,002        | 5,713        | +5%        | 5,370        | +12%        |
| Personal & Commercial Loans   | 1,492        | 1,445        | +3%        | 1,351        | +10%        |
| Lines of credit               | 268          | 276          | -3%        | 292          | -8%         |
| Salary-backed Loans (EuroCQS) | 144          | 6            | n.s.       | 0            | n.s.        |
| <b>Total Credit Book</b>      | <b>7,906</b> | <b>7,440</b> | <b>+6%</b> | <b>7,013</b> | <b>+13%</b> |

## % on total loans

**B.Mediolanum**

**Italian Banks\***

Gross non-performing Loans

1.49%

13.2%

as at 31/03/2018

Net non-performing Loans

0.75%

7.5%

as at 31/12/2017

|                              | Q218         | Q118         |
|------------------------------|--------------|--------------|
| <b>Total Cost of Funding</b> | <b>0.14%</b> | <b>0.24%</b> |
| Retail Cost of Funding       | 0.24%        | 0.31%        |
| <b>Total Interest Income</b> | <b>0.85%</b> | <b>0.97%</b> |
| Retail Interest Income       | 1.87%        | 1.96%        |
| <b>TOTAL SPREAD</b>          | <b>0.71%</b> | <b>0.73%</b> |
| Spread on Retail             | 1.63%        | 1.65%        |

# Balance Sheet Highlights

€ mn – as at 30/06/2018



|  | Liabilities   | Assets        |
|--|---------------|---------------|
| <b>Retail</b>                                | <b>15,871</b> | <b>7,761</b>  |
| <b>Treasury</b>                              | <b>7,654</b>  | <b>15,982</b> |
| o/w interbank / intra-group deposits & repos | 1,606         | 548           |
| o/w ECB refinancing                          | 0             | 0             |
| o/w MTS refinancing                          | 6,048         | 756           |
| o/w securities (bonds)                       |               | 14,678        |
| <b>Other liabilities / assets</b>            | <b>2,609</b>  | <b>2,392</b>  |
| <b>TOTAL</b>                                 | <b>26,134</b> | <b>26,134</b> |

**Operating Liquidity (24hr) : € 8,819 mn**

# Insurance

## Life – Policyholders' Assets

€ mn



|                                   | 30/06/18        | 31/12/17        | Change      | 30/06/17        | Change      |
|-----------------------------------|-----------------|-----------------|-------------|-----------------|-------------|
| <b>Traditional</b>                | <b>1,428.8</b>  | <b>1,412.4</b>  | <b>+1%</b>  | <b>1,375.1</b>  | <b>+4%</b>  |
| <b>Index-linked</b>               | <b>0</b>        | <b>0</b>        | <b>n.s.</b> | <b>16.7</b>     | <b>n.s.</b> |
| Unit-linked pension plans         | 6,316.0         | 6,267.6         | +1%         | 5,985.7         | +6%         |
| Unit-linked endowment policies    | 3,678.3         | 3,788.0         | -3%         | 3,743.4         | -2%         |
| Unit-linked investment policies   | 9,067.7         | 8,353.7         | +9%         | 7,450.1         | +22%        |
| <b>Unit-linked</b>                | <b>19,062.0</b> | <b>18,409.3</b> | <b>+4%</b>  | <b>17,179.2</b> | <b>+11%</b> |
| <i>o/w equity</i>                 | <i>54.8%</i>    | <i>56.7%</i>    | <i>-3%</i>  | <i>59.7%</i>    | <i>-8%</i>  |
| <b>LIFE ASSETS (EX-'FREEDOM')</b> | <b>20,490.9</b> | <b>19,821.7</b> | <b>+3%</b>  | <b>18,571.0</b> | <b>+10%</b> |
| <b>'Freedom' Life policies</b>    | <b>169.9</b>    | <b>183.8</b>    | <b>-8%</b>  | <b>212.1</b>    | <b>-20%</b> |

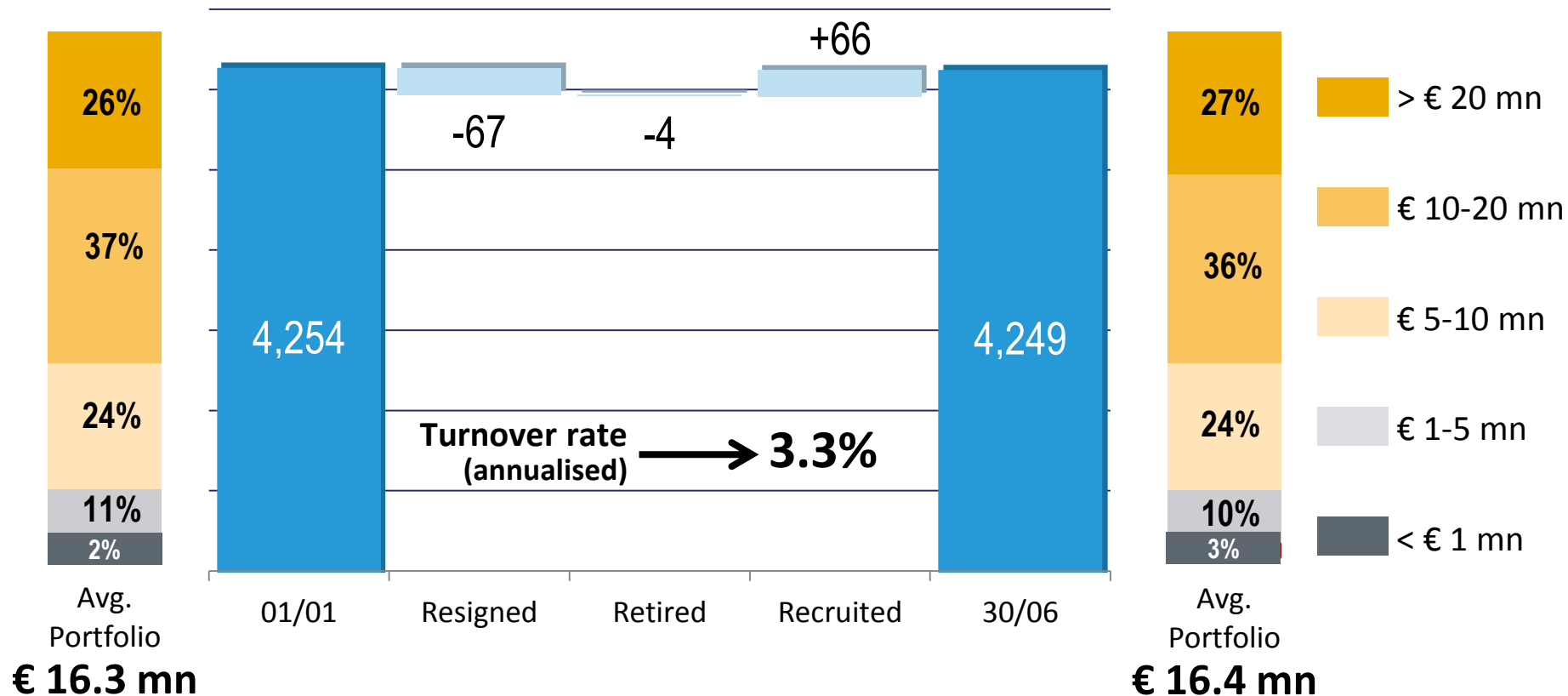
# Insurance

## Non-Life - Gross Premiums Written

€ mn



|  | H118        | H117        | Change      |
|--|-------------|-------------|-------------|
| New Business                             | 2.9         | 2.6         | +10%        |
| In-Force Business                        | 16.4        | 14.6        | +12%        |
| <b>Stand-Alone Policies</b>              | <b>19.2</b> | <b>17.2</b> | <b>+12%</b> |
| <b>Loan Protection Policies</b>          | <b>20.0</b> | <b>15.4</b> | <b>+29%</b> |
| <b>NON-LIFE – GROSS PREMIUMS WRITTEN</b> | <b>39.2</b> | <b>32.6</b> | <b>+20%</b> |

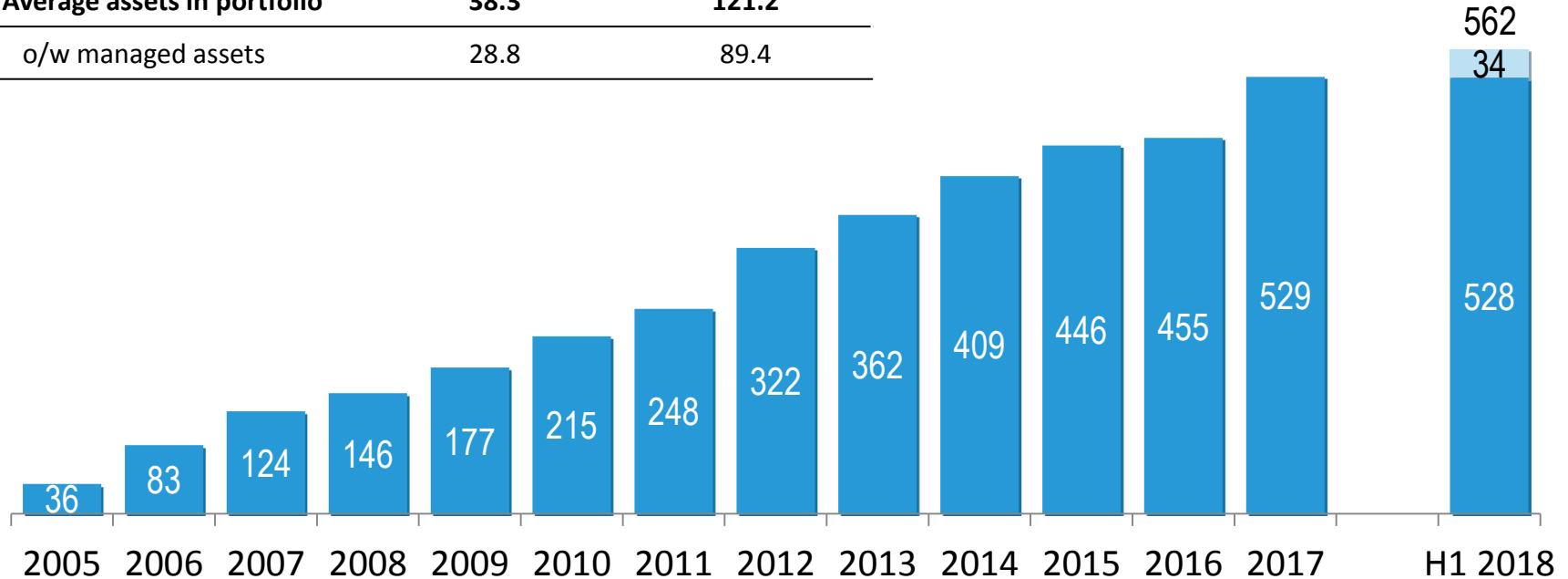




# Focus on 'Private Bankers' and 'Wealth Advisors'\* as at 30/06/2018



|                             | Private Bankers | Wealth Advisors<br>( > € 60 mn AUM) |
|-----------------------------|-----------------|-------------------------------------|
| Average assets in portfolio | 38.3            | 121.2                               |
| o/w managed assets          | 28.8            | 89.4                                |



\* 'Private Bankers' & 'Wealth Advisors' are a subset of Family Bankers who mainly deal with affluent & HNW customers



# H1 2018 Foreign Markets Results

|  | <b>H118</b>    | <b>H117</b>    | <b>Change</b> | <b>vs.FY17</b> |
|--|----------------|----------------|---------------|----------------|
| <b>Net Income</b>                        | <b>8.2</b>     | <b>7.7</b>     | <b>+6%</b>    |                |
| Managed Assets                           | 3,523.1        | 2,999.7        | +17%          | +6%            |
| Administered Assets                      | 1,384.6        | 1,346.7        | +3%           | +4%            |
| <b>Total Assets</b>                      | <b>4,907.7</b> | <b>4,346.4</b> | <b>+13%</b>   | <b>+5%</b>     |
| <b>Gross Inflows into Managed Assets</b> | <b>916.2</b>   | <b>690.1</b>   | <b>+33%</b>   |                |
| Net Inflows into Managed Assets          | +254.2         | +307.8         | -17%          |                |
| Net Inflows into Administered Assets     | +46.7          | +31.0          | +51%          |                |
| <b>Total Net Inflows</b>                 | <b>+300.8</b>  | <b>+338.8</b>  | <b>-11%</b>   |                |
| Family Bankers (Mediolanum model)        | 936            | 849            | +10%          | +4%            |
| Traditional agents                       | 30             | 33             | -9%           | -3%            |
| <b>Total Sales Network</b>               | <b>966</b>     | <b>882</b>     | <b>+10%</b>   | <b>+4%</b>     |
| <b>Total Customers</b>                   | <b>121,052</b> | <b>113,734</b> | <b>+6%</b>    | <b>+3%</b>     |

|  | H118         | H117         | Change      | vs.FY17    |
|--|--------------|--------------|-------------|------------|
| <b>Net Income</b>                        | (5.1)        | (5.3)        | -5%         |            |
| Managed Assets                           | 478.7        | 466.5        | +3%         | -4%        |
| Administered Assets                      | 153.2        | 142.4        | +8%         | +4%        |
| <b>Total Assets</b>                      | <b>631.8</b> | <b>608.9</b> | <b>+4%</b>  | <b>-2%</b> |
| <b>Gross Inflows into Managed Assets</b> | <b>45.6</b>  | <b>35.2</b>  | <b>+30%</b> |            |
| Net Inflows into Managed Assets          | -12.8        | +4.2         | n.s.        |            |
| Net Inflows into Administered Assets     | +5.6         | -4.6         | n.s.        |            |
| <b>Total Net Inflows</b>                 | <b>-7.2</b>  | <b>-0.4</b>  | <b>n.s.</b> |            |
| <b>Total Sales Network</b>               | <b>48</b>    | <b>50</b>    | <b>-4%</b>  | <b>-2%</b> |
| <b>Total Customers</b>                   | <b>5,820</b> | <b>5,457</b> | <b>+7%</b>  | <b>+2%</b> |

|  | <b>H118</b>  | <b>H117</b>  | <b>Change</b> | <b>vs.FY17</b> |
|--|--------------|--------------|---------------|----------------|
| <b>Net Income</b>                        | <b>(7.0)</b> | <b>(6.6)</b> | <b>+5%</b>    |                |
| Managed Assets                           | 279.5        | 267.0        | +5%           | -4%            |
| Administered Assets                      | 153.2        | 142.4        | +8%           | +4%            |
| <b>Total Assets</b>                      | <b>432.6</b> | <b>409.3</b> | <b>+6%</b>    | <b>-1%</b>     |
| <b>Gross Inflows into Managed Assets</b> | <b>42.7</b>  | <b>29.9</b>  | <b>+43%</b>   |                |
| Net Inflows into Managed Assets          | -5.0         | +7.5         | n.s.          |                |
| Net Inflows into Administered Assets     | +5.6         | -4.6         | n.s.          |                |
| <b>Total Net Inflows</b>                 | <b>+0.6</b>  | <b>+2.9</b>  | <b>-81%</b>   |                |
| <b>Total Sales Network</b>               | <b>48</b>    | <b>50</b>    | <b>-4%</b>    | <b>-2%</b>     |
| <b>Total Customers</b>                   | <b>5,820</b> | <b>5,457</b> | <b>+7%</b>    | <b>+2%</b>     |

|                                | <b>H118</b>  | <b>H117</b>  | <b>Change</b> | <b>vs.FY17</b> |
|--------------------------------|--------------|--------------|---------------|----------------|
| <b>Net Income</b>              | <b>1.9</b>   | <b>1.3</b>   | <b>+44%</b>   |                |
| <b>Assets under Management</b> | <b>199.2</b> | <b>199.5</b> | <b>-0%</b>    | <b>-5%</b>     |
| <b>Gross Inflows</b>           | <b>3.0</b>   | <b>5.3</b>   | <b>-44%</b>   |                |
| <b>Net Inflows</b>             | <b>-7.8</b>  | <b>-3.3</b>  | <b>+137%</b>  |                |



# Business Update

|  | Jun '18     | YTD '18       | YTD '17       |
|--|-------------|---------------|---------------|
| <b>Managed Assets</b>                                    | <b>+437</b> | <b>+1,664</b> | <b>+2,592</b> |
| <i>o/w Mutual Funds, U-L &amp; Managed Accounts</i>      | <i>+437</i> | <i>+1,765</i> | <i>+2,960</i> |
| <b>Administered Assets</b>                               | <b>+35</b>  | <b>+452</b>   | <b>-286</b>   |
| <b>GROUP TOTAL NET INFLOWS</b>                           | <b>+472</b> | <b>+2,116</b> | <b>+2,306</b> |
| Managed Assets   | +394        | +1,422        | +2,281        |
| <i>o/w Mutual Funds, U-L &amp; Managed Accounts</i>      | <i>+393</i> | <i>+1,467</i> | <i>+2,603</i> |
| Administered Assets                                      | -6          | +400          | -313          |
| <b>Italy – Banca Mediolanum Total Net Inflows</b>        | <b>+388</b> | <b>+1,822</b> | <b>+1,968</b> |
| Managed Assets   | +42         | +254          | +308          |
| <i>o/w Mutual Funds &amp; U-L</i>                        | <i>+42</i>  | <i>+302</i>   | <i>+347</i>   |
| Administered Assets                                      | +38         | +47           | +31           |
| <b>Spain – Banco Mediolanum Total Net Inflows</b>        | <b>+80</b>  | <b>+301</b>   | <b>+339</b>   |
| Managed Assets   | +2          | -13           | +4            |
| <i>o/w Mutual Funds &amp; U-L</i>                        | <i>+2</i>   | <i>-3</i>     | <i>+9</i>     |
| Administered Assets                                      | +3          | +6            | -5            |
| <b>Germany – B.A. Lenz &amp; Gamax Total Net Inflows</b> | <b>+4</b>   | <b>-7</b>     | <b>0</b>      |



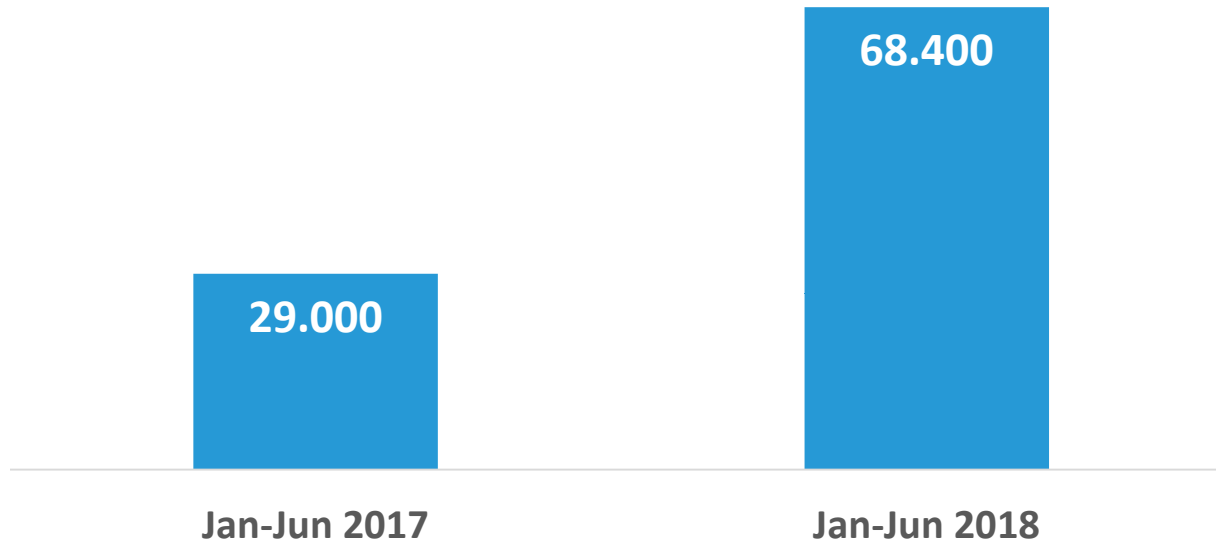
# Activation of Instalment Plans

existing & new contracts



Jan-Jun 2018 vs. Jan-Jun 2017: **+236%**

No. of plans: **68,400** vs. 29,000



Individual Savings Plans introduced by **2017 Budget Law**  
(inspired by UK ISA & French PEA)

**Tax exemptions of Capital Gains & Inheritance taxes**

- on up to **€30k investment/year** (max **€150k in total**)
- required **min. 5-year** investment period

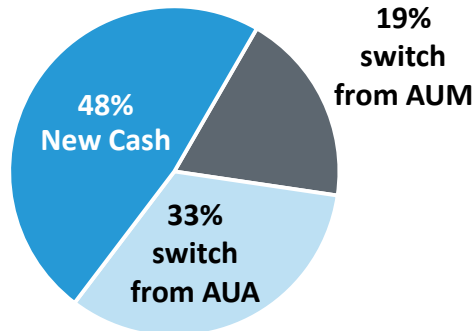
Only **1 PIR per person**. Benefits lost if customer changes A.M. co.

**70%** must be invested in **Italian companies**, o/w **30%** in **Italian SMEs** not listed in FTSE MIB. Both **equity** and **debt** are permitted

**2017 Inflows: € 2.4 bn**

**H1 2018 Inflows: € 549 mn**

**Market Share: 26%**



## Mediolanum Flessibile Sviluppo Italia

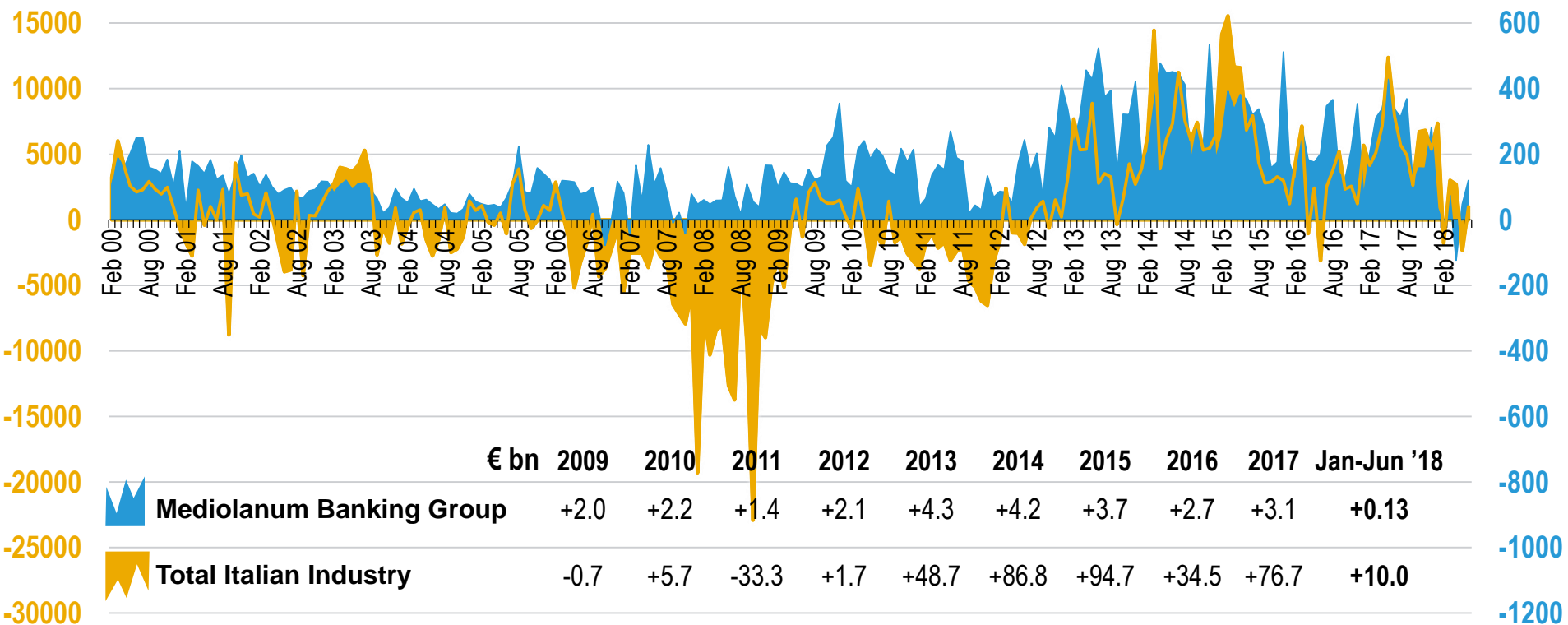
Italy-based flexible fund, launched in 2013  
PIR-compliant as of March 2017

## Mediolanum Futuro Italia

Italy-based equity fund, launched in 1994  
PIR-compliant as of April 2017

## Mediolanum Personal PIR

Italy-based U-L policy  
launched in September 2017



\* including those underlying Unit-Linked policies & Managed Accounts

source: Assogestioni monthly reports; total figures integrated with quarterly reports

# Italian Sales Networks Ranking by Net Inflows into M.F.

€ thousands - totals by Group



|                                    | Jan-May 2018     |                  |                   |
|------------------------------------|------------------|------------------|-------------------|
|                                    | Mutual Funds*    | Managed Assets   | Total Net Inflows |
| Banca Fideuram (incl. Sanpaolo)    | 2,601,834        | 2,794,496        | 4,502,365         |
| <b>Banca Mediolanum</b>            | <b>1,070,003</b> | <b>1,065,493</b> | <b>1,433,308</b>  |
| Allianz Bank                       | 1,023,237        | 1,011,298        | 1,489,954         |
| Banca Generali                     | 513,931          | 1,429,502        | 2,650,954         |
| Finacobank                         | 312,553          | 1,168,315        | 2,648,203         |
| BNP Paribas                        | 218,696          | 334,407          | 491,539           |
| Azimut                             | 205,410          | 330,850          | 350,539           |
| UBI (IW Bank)                      | 29,749           | 7,689            | 161,286           |
| Consultinvest                      | 17,097           | 26,437           | 26,568            |
| Monte dei Paschi di Siena (Widiba) | - 31,611         | - 24,877         | 201,162           |
| Deutsche Bank (Finanza & Futuro)   | - 86,025         | 108,402          | 405,953           |
| Credem                             | - 180,876        | - 76,584         | - 109,721         |

\*including those underlying Unit-Linked policies & Managed Accounts

source: Assoreti

# 45 Top Performer in Customer Experience

June 2018: KPMG-Nunwood published the '2018 Customer Experience Excellence' research on all international brands present in Italy

## #1 - Financial Institutions, #3 - All Italian Brands #7 - All Sectors

«BMED is the leading bank in the sector, constantly aiming at improving the relationship with the customer and providing high value-added services. This accomplishment was achieved thanks to the introduction of a new model where Relationship Managers from the HQ assist the Family Bankers in the most complex operations, and to the new 'Contratto di Consulenza Evoluta', a service designed to run a check-up of the overall financial situation of the customer»

## #1 - 'Empathy' ranking All Sectors

«Understanding customer expectations to achieve a deep connection»

## #1 - 'Omnichannel Index' ranking All Sectors

«Level of Customer Satisfaction attained when interacting with at least 2 touch-points (digital, human & phone channel)»



# Technological Platform

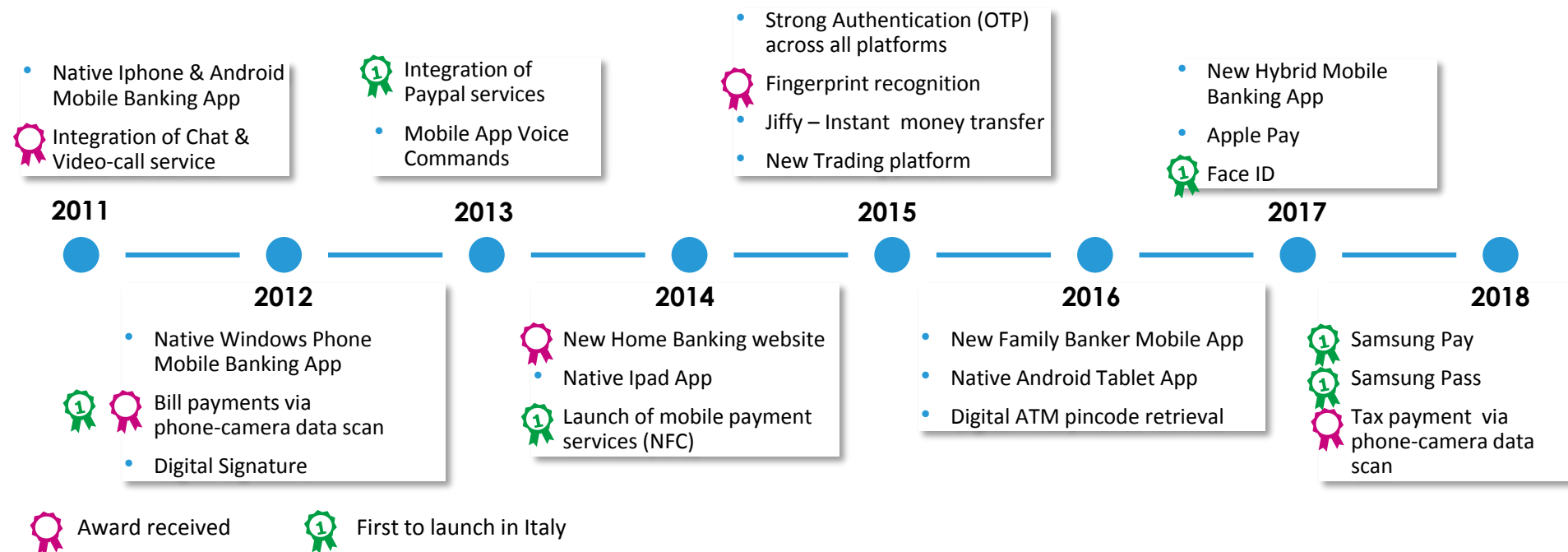
## Innovation is in our DNA



We create value for our Customers by exploiting the **best technology available** to serve them

Investments in technology allow us to build strong relationships thanks to the **usability & simplicity of our digital platform** (2017 retention rate: 95% - 2017 interactions with the bank: 63 mn)

**Customer-centricity & omni-channel approach** are the core of the '**Freedom in Banking**' company mission



## Making the difference in the Mifid2 environment



DIGITALIZATION



LESS PAPERWORK



SUPPORT FROM HQ

APPS &  
PLATFORMS

TRAINING

SEGMENTATION &  
MARKETING TOOLS

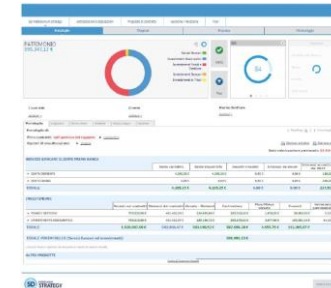
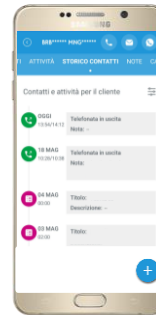
We provide our **Family Bankers** with an ecosystem of tools designed to manage - among others - the new challenges of Mifid 2

Benefits are tangible:

- wider array of advisory services (Personalized Financ.Planning, Investment Banking, Inheritance Planning, ...)
- higher productivity (H118 vs H117: +17% loans granted, +20% non-life insurance)
- increased cost-efficiency thanks to
  - digitalization (70% of transactions are paperless)
  - integrated IT back-end (lower maintenance costs)
- fewer mistakes & sent-back contracts & faster processing time
- higher responsiveness to the customer (2017 retention rate: 95%)



**Unmatched Service For The Customer**



# The 3rd best known bank brand in Italy

Spontaneous brand awareness – Italian banks – June 2018



 **UniCredit** 53%

ING  DIRECT 22%

INTESA  SANPAOLO 49%

 **BNL**  
GRUPPO BNP PARIBAS 20%

 **mediolanum** BANCA 44%

**CheBanca!**  
Gruppo Mediobanca 19%

**BancoPosta** 27%

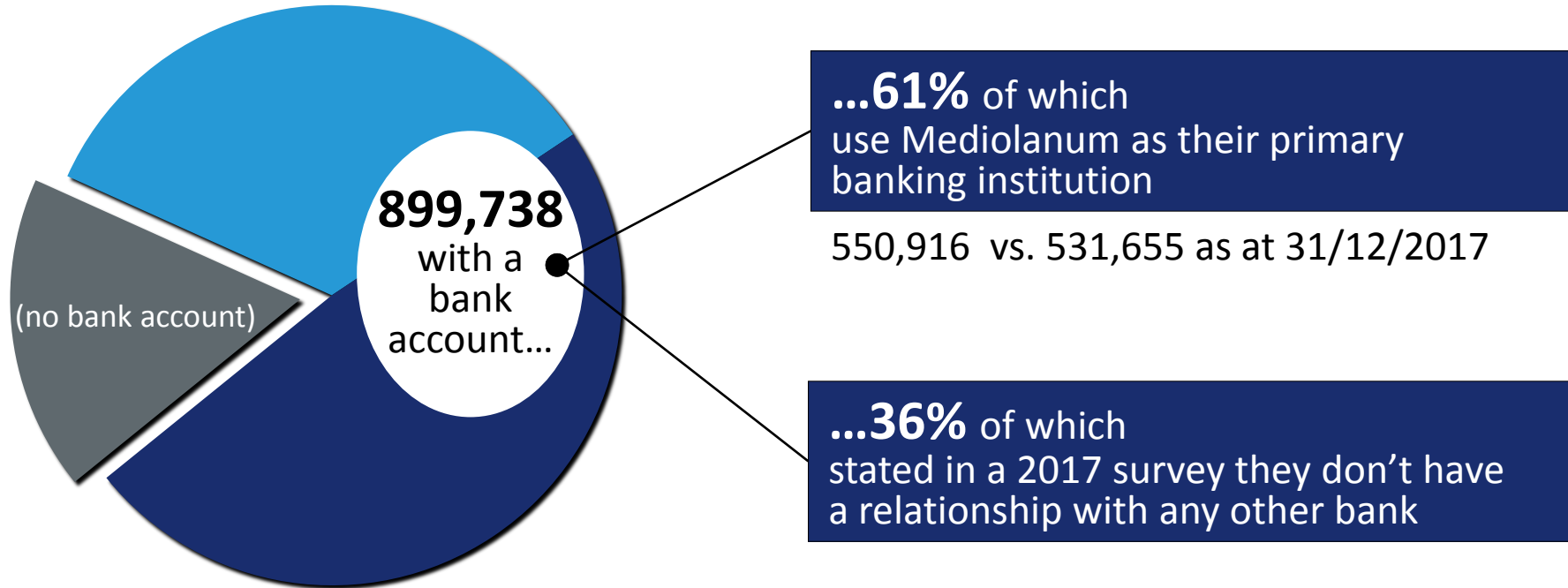
UBI  Banca 16%

 **MONTE  
DEI PASCHI  
DI SIENA**  
BANCA DAL 1472 26%

 **BCC**  
CREDITO COOPERATIVO 14%



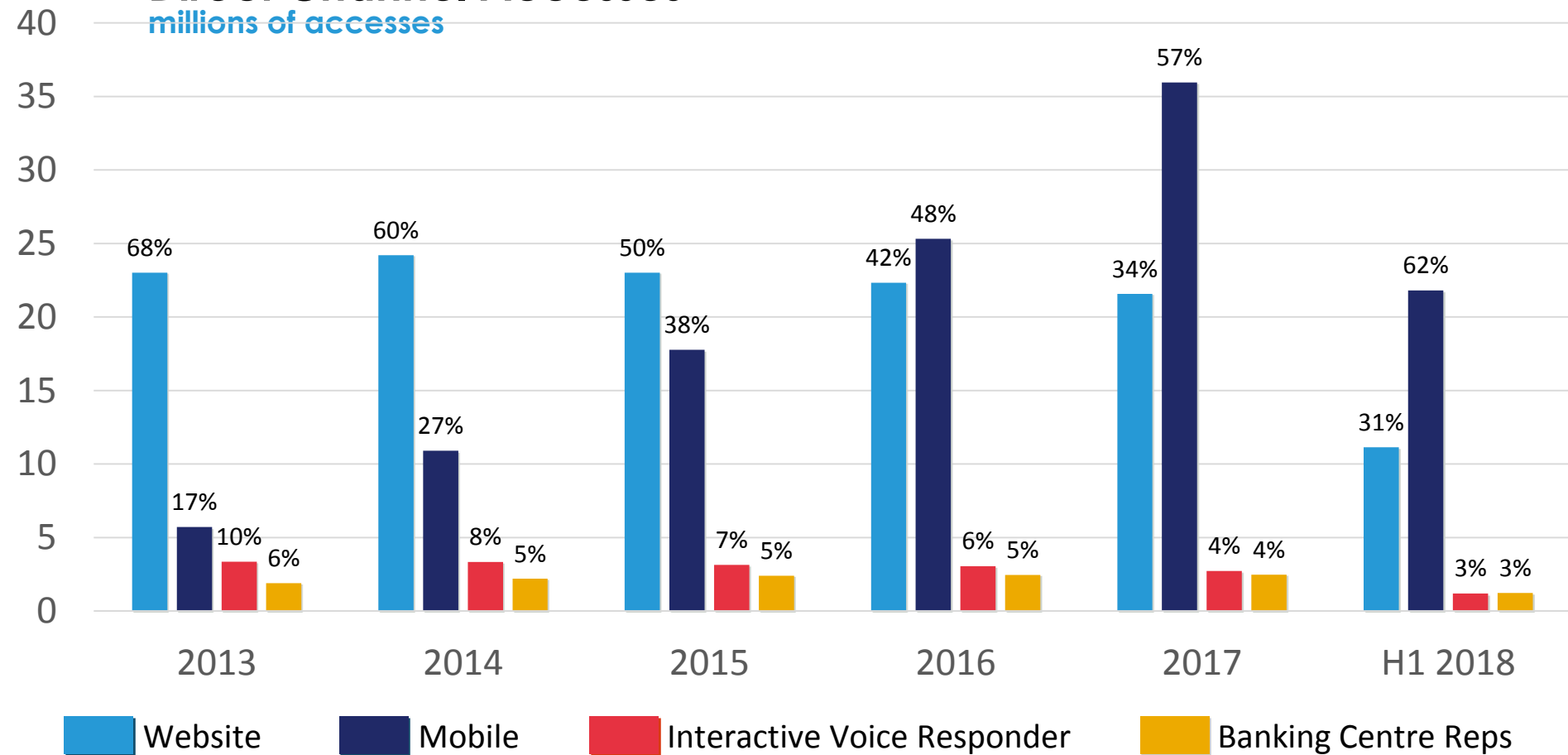
**1,049,294** primary account holders in Italy:



# Banca Mediolanum

## Direct Channel Accesses

millions of accesses



## To assist SME entrepreneurs (both customers & prospects) with corporate finance needs in order to grow their business

- **Financial advisory services**, such as general financial health check-ups, M&A consulting, corporate sales, access to private equity funding, bond issuing, advisory role for potential IPO on the AIM/STAR exchanges
- **NOMAD** (Nominated Advisor) certified by June 2018
- **Partnership agreements** with selected Italian Investment Banks for downstream activities, such as **direct placement**
- BMED IB exploits our widespread presence all over Italy, proximity to & knowledge of the SME customer
- Provides **leverage & prestige** to our Family Bankers **to strengthen the relationship** with these customers
- **Instrumental to our core business** of asset gathering.  
Ultimate objective: to have access to & manage entrepreneurs' assets
- **Team of 10 people** with complementary skills

## Healthy-margin, low-risk business

Salary-backed loans designed for individuals with few or no assets

Involve an agreement between the bank, the customer & the employer

85% of the market consist of state employees (incl. teachers) & retirees on a pension

Monthly loan payments deducted directly from the paycheck for up to 1/5 of the salary

Mandatory-by-law insurance policy attached to the loan covers the risk of job loss or company bankruptcy



10 years in the Industry, acquired by Banca Mediolanum in **December 2017**

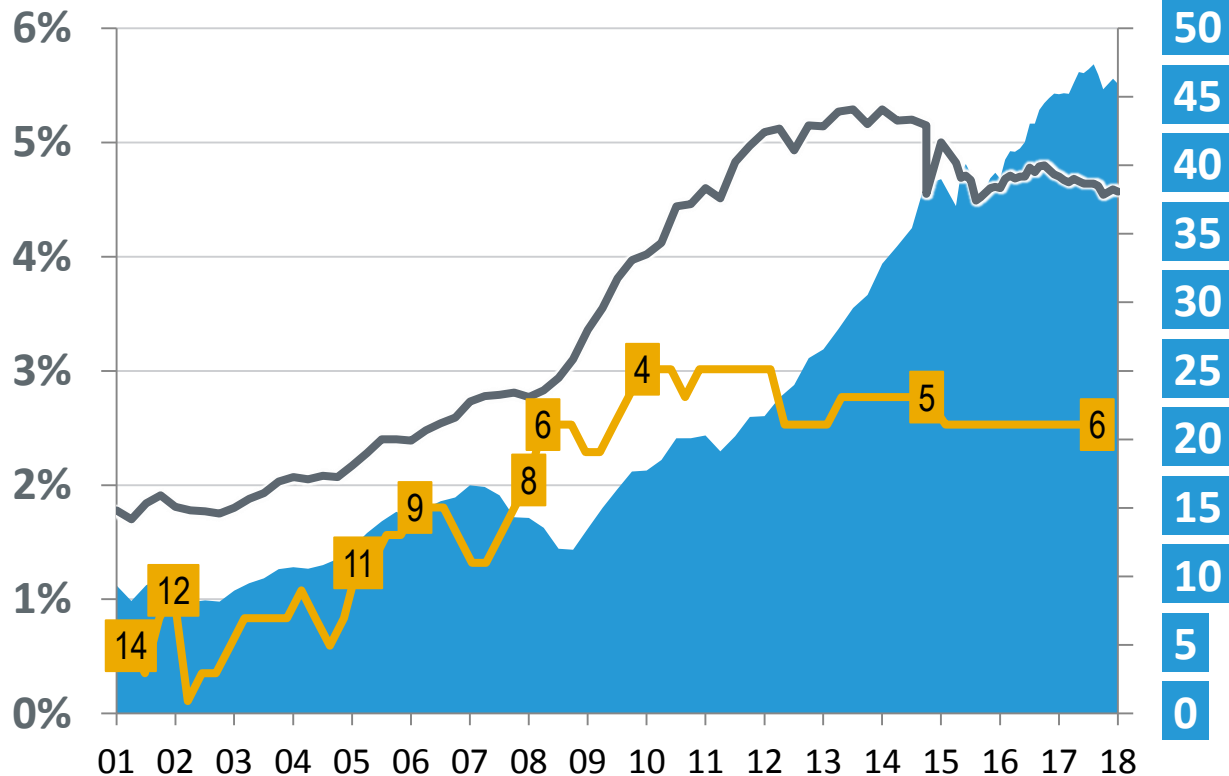
Will operate separately & **keep EuroCCQS name** to avoid brand confusion

Network of **50 agents + 40 in back office**

Highly skilled in delivering the product, excellent track record overall

**3-year target: €1 bn book** by EOY 2020, also through development of agent network & agreements with other distributors

Will add significantly to our N.I.I. starting in 2019



## Market Share – Jun 2018

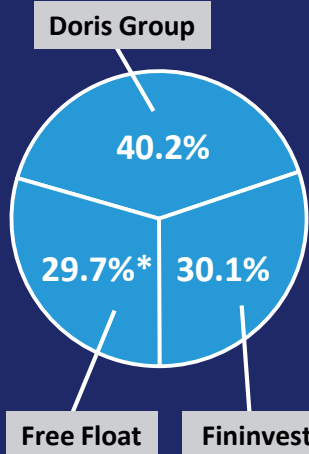
|                     |             |
|---------------------|-------------|
| Intesa Sanpaolo     | 20.1%       |
| Amundi              | 11.7%       |
| Generali            | 8.1%        |
| Anima               | 7.9%        |
| Blackrock           | 6.6%        |
| <b>6 Mediolanum</b> | <b>4.6%</b> |
| JP Morgan           | 3.7%        |
| Azimut              | 3.2%        |
| UBI Banca           | 3.2%        |
| Arca                | 2.8%        |
| Invesco             | 2.7%        |
| Pictet              | 2.4%        |
| Fidelity            | 2.2%        |
| M&G Investments     | 2.2%        |
| Morgan Stanley      | 2.1%        |



# Mediolanum Facts



BANCA



\* Shareholders >3%:  
T.Rowe Price 3,6%

## BANKING

100%


**Banco  
Mediolanum**

**Bankhaus  
August Lenz**
**Mediolanum  
Fiduciaria**

## ASSET MANAGEMENT

100%

(direct & indirect  
ownership)
**Gamax  
Management**

100% Banca Mediolanum


**Mediolanum  
International Funds**
92% Banca Mediolanum  
5% Banco Mediolanum  
3% Bankhaus A. Lenz
**Mediolanum  
Gestio S.A.**

100% Banco Mediolanum

## INSURANCE

100%


**Mediolanum Vita**

**Mediolanum  
International Life**
**Mediolanum  
Assicurazioni**

## OTHER

100%

**Mediolanum  
Comunicazione**
**Euro CQS**

3.4% (directly &amp; through Mediolanum Vita)

**Mediobanca**

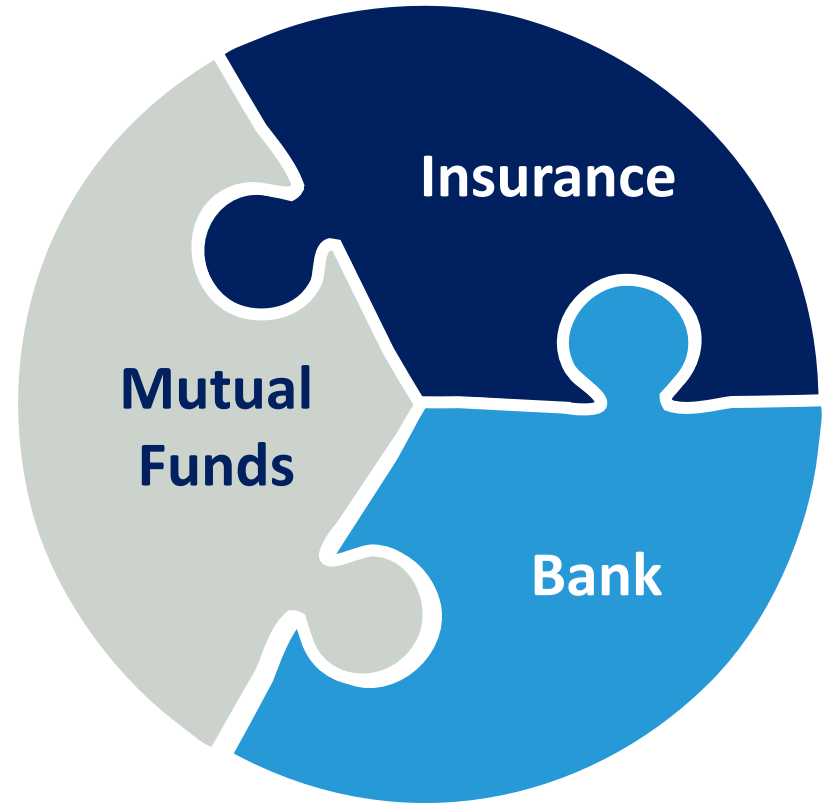

All companies  
Italy-based unless  
otherwise indicated

We and our Family Bankers view the company as a single entity, providing solutions that best fit the needs of the customer, whether it be in the form of a mutual fund, an insurance policy or a bank product

The Bank (est. 1997) has a special role as the place where customer savings are naturally built

It is also where service quality is more readily appreciated & compared

Therefore, it represents the mandatory point of entry for all new customers







## Family Bankers: the human touch

Self-employed tied agents with entrepreneurial approach

Extensively trained to tackle every household financial need

Share Mediolanum's view that banking services are an effective acquisition & retention tool

Compensated even for operations performed by customers through direct channels

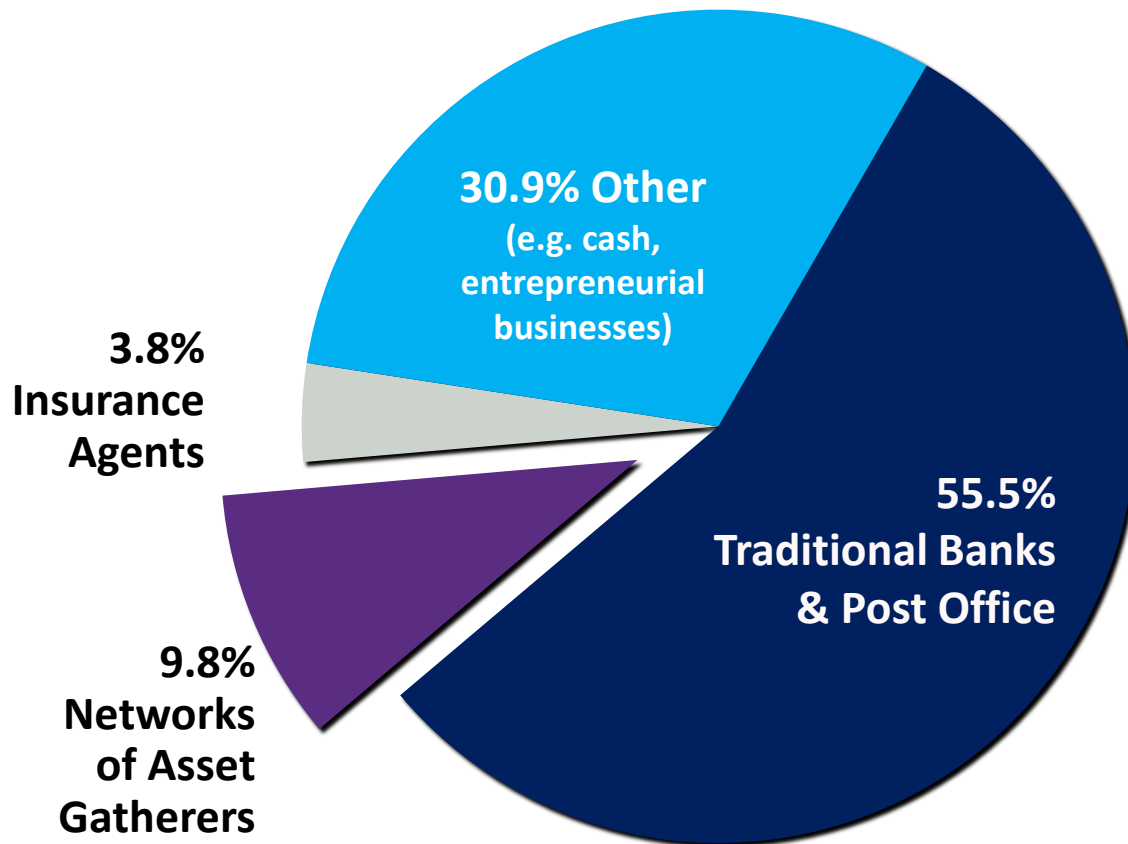
- Willing to provide professional advice anytime, anywhere
- Equally competent across all product lines
- Unlike the typical FA, offer assistance also with everyday banking needs
- Synergy, not competition, between human and direct channels



## Customers: freedom in banking

Top-quality and valuable direct banking services associated with a human relationship

# Italian Household Financial Assets as at 31/12/2017 – real estate not included

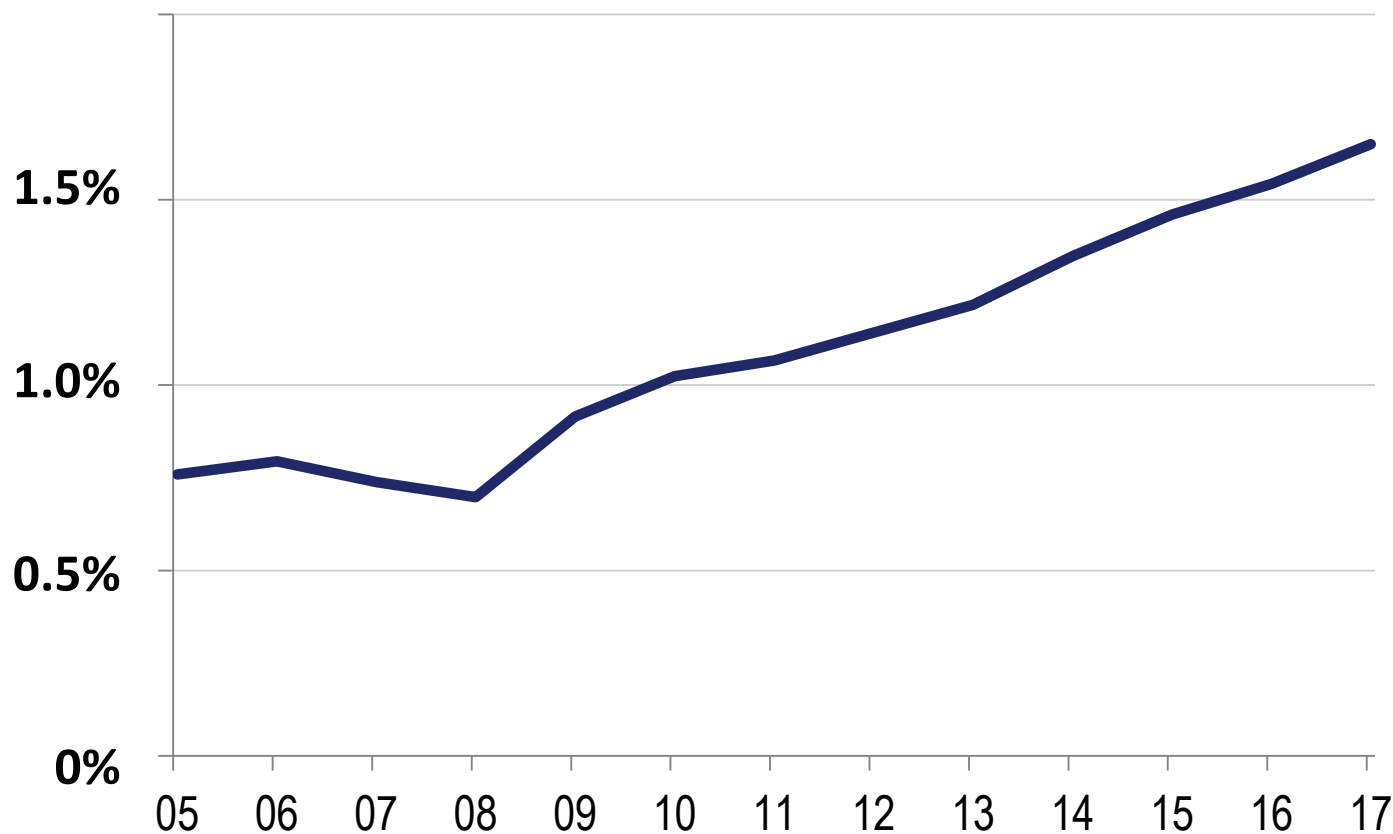


**Network of Asset Gatherers** have only 10% of the huge Italian HH financial assets market, although recognised as best-in-class in terms of personal service & advice, and largely immune to capital, credit quality & reputational issues

**Traditional Banks** still hold nearly 6x more

**Total HH Assets:**  
**€ 4,268 bn**

# Italian Household Financial Assets Banca Mediolanum's Market Share



**1.65%**

on a total of  
€ 4,268 bn reported  
by Bank of Italy  
as at 31/12/2017

**ROE****20.2%**

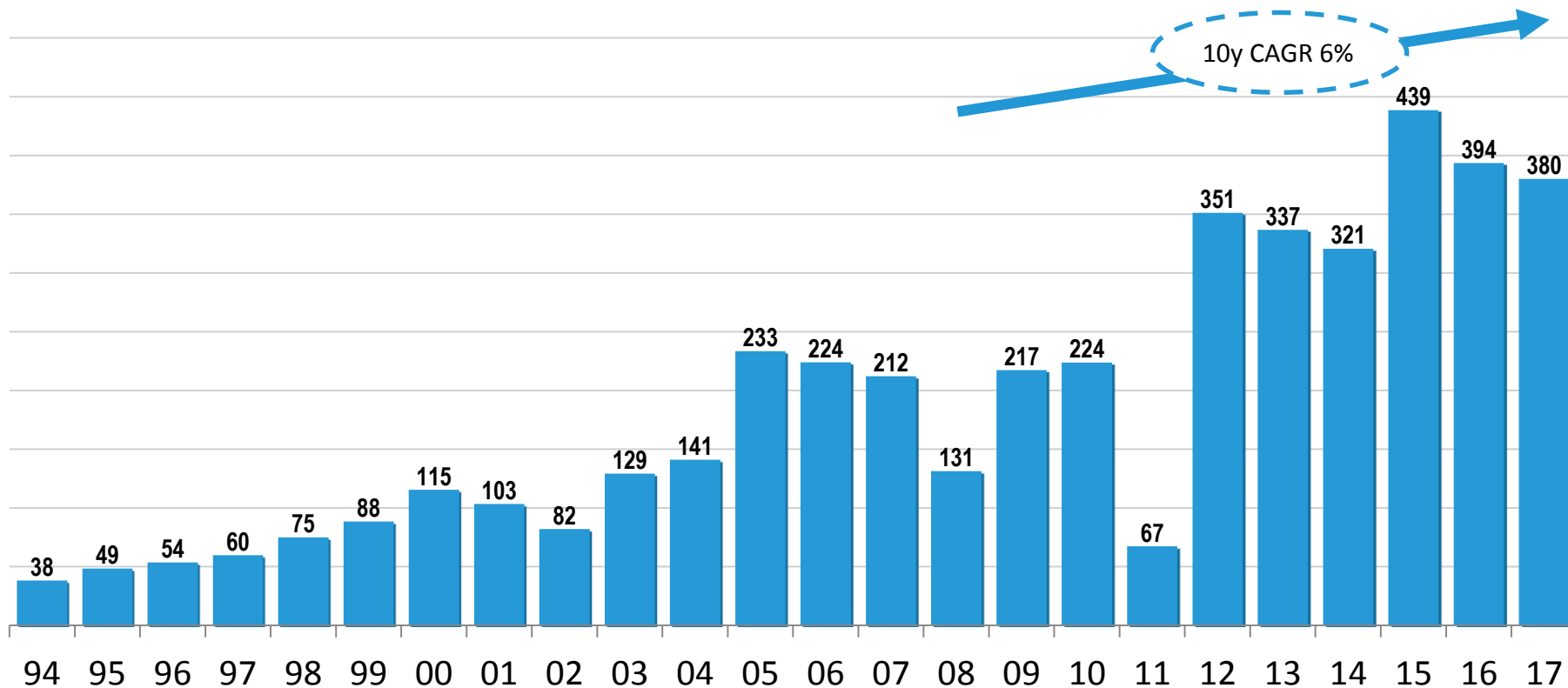
10 Y avg. 2008- 2017

**CET1****16.2%****Retail Deposits****€ 15.9 bn****Retail Credit Book****€ 7.9 bn****% Gross NPLs****1.49%**

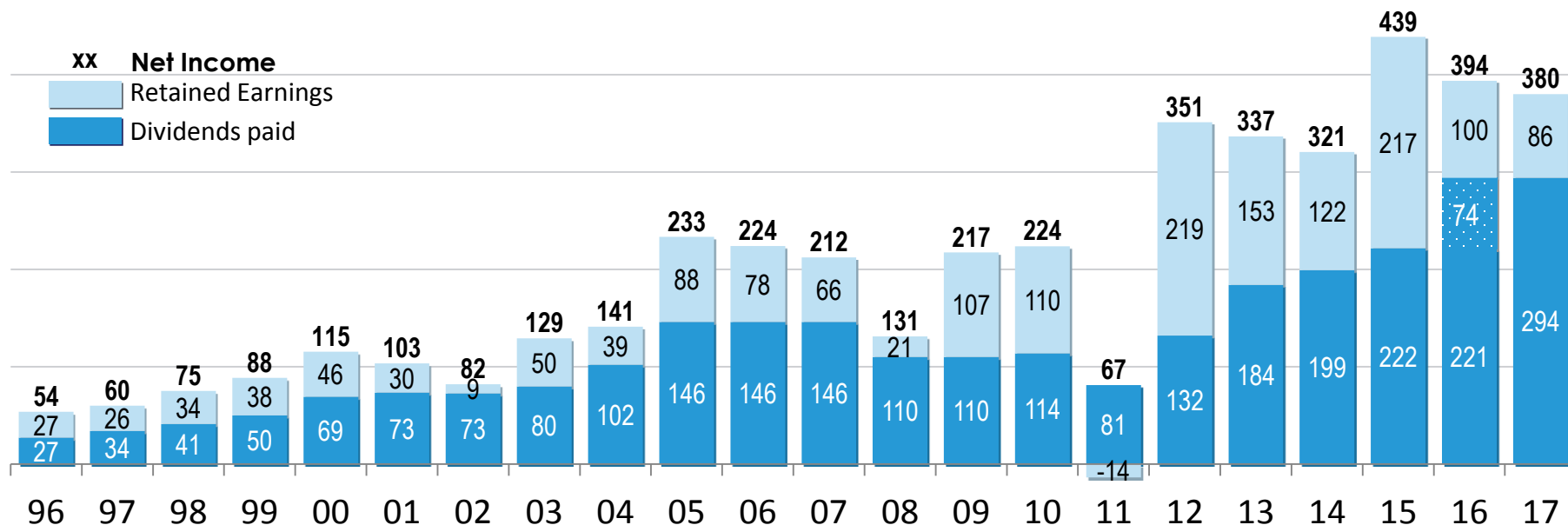
vs 13.2% Italian Banks\*

**% Net NPLs****0.75%**

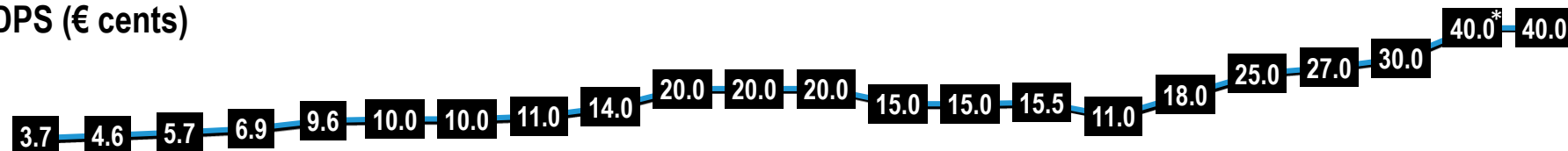
vs 7.5% Italian Banks\*



2008 & 2010: adjusted net income excluding effects of 'Lehman Brothers' operation



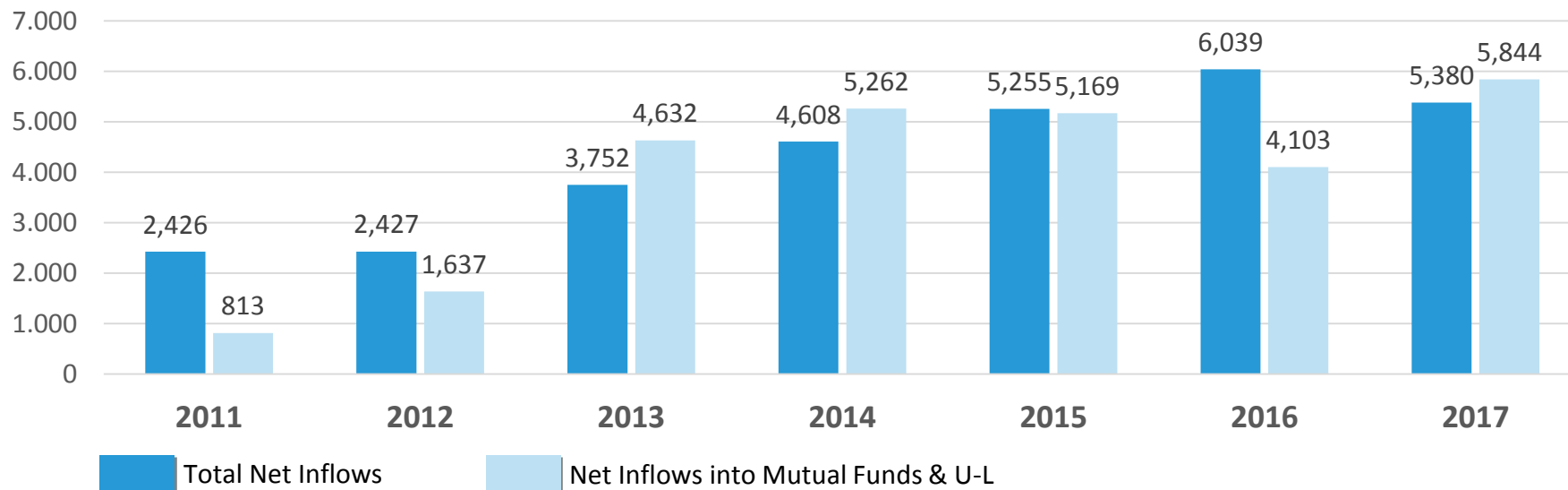
## DPS (€ cents)



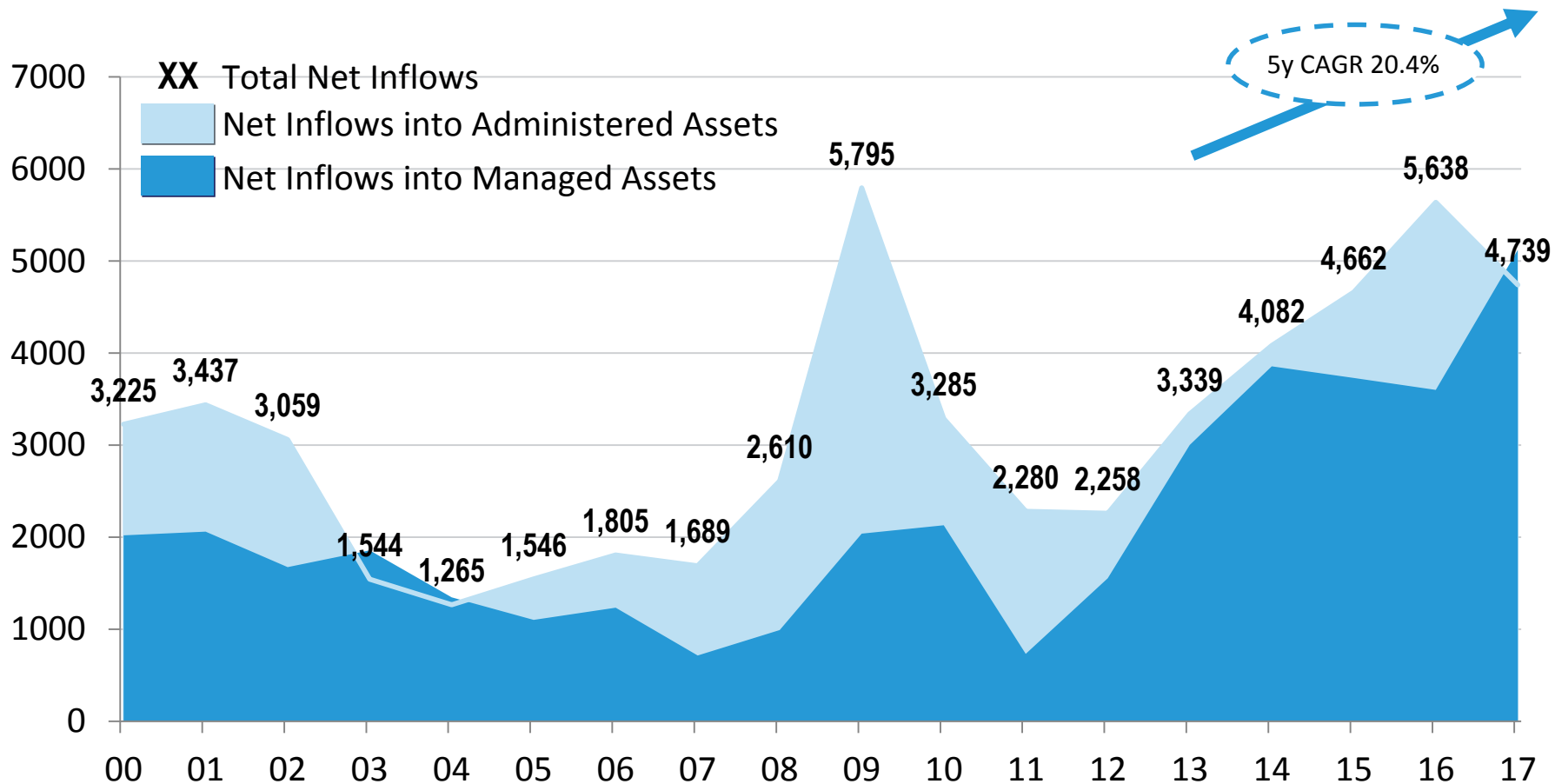
including 10 eurocents connected to Banca Esperia's sale

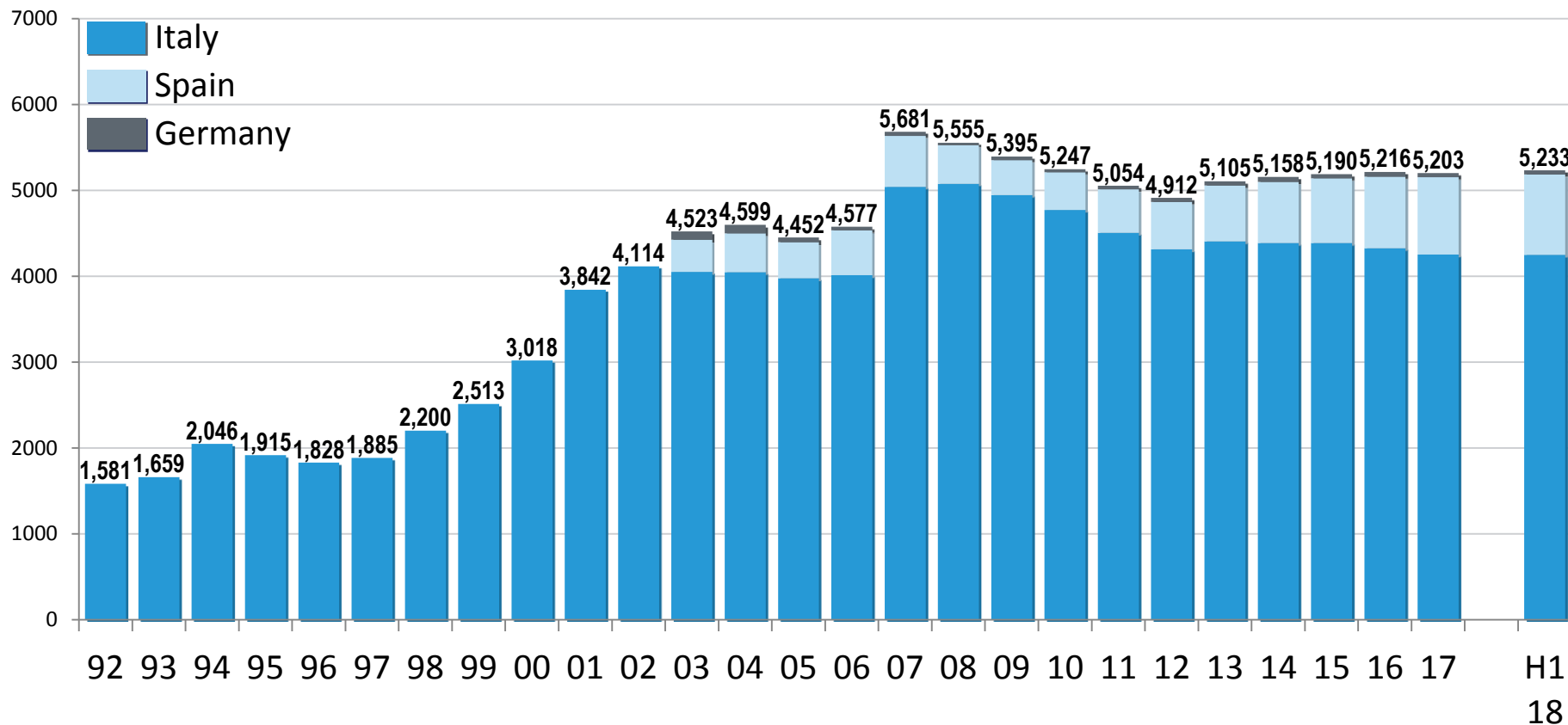
## A proven ability in converting administered inflows into managed assets

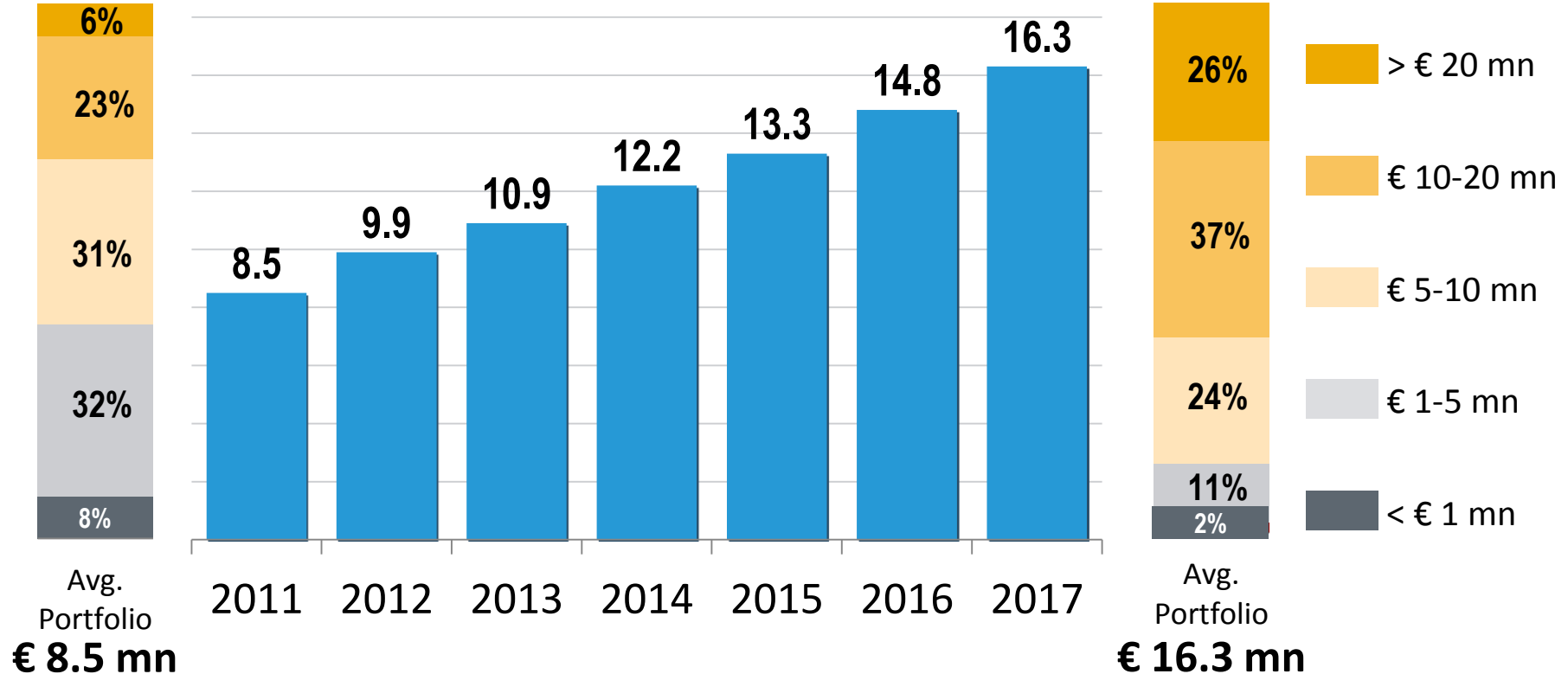
2011-2017:  
**€ 29.9 bn** of Total Net Inflows,  
o/w **€ 27.5 bn** into Mutual Funds & Unit-Linked policies

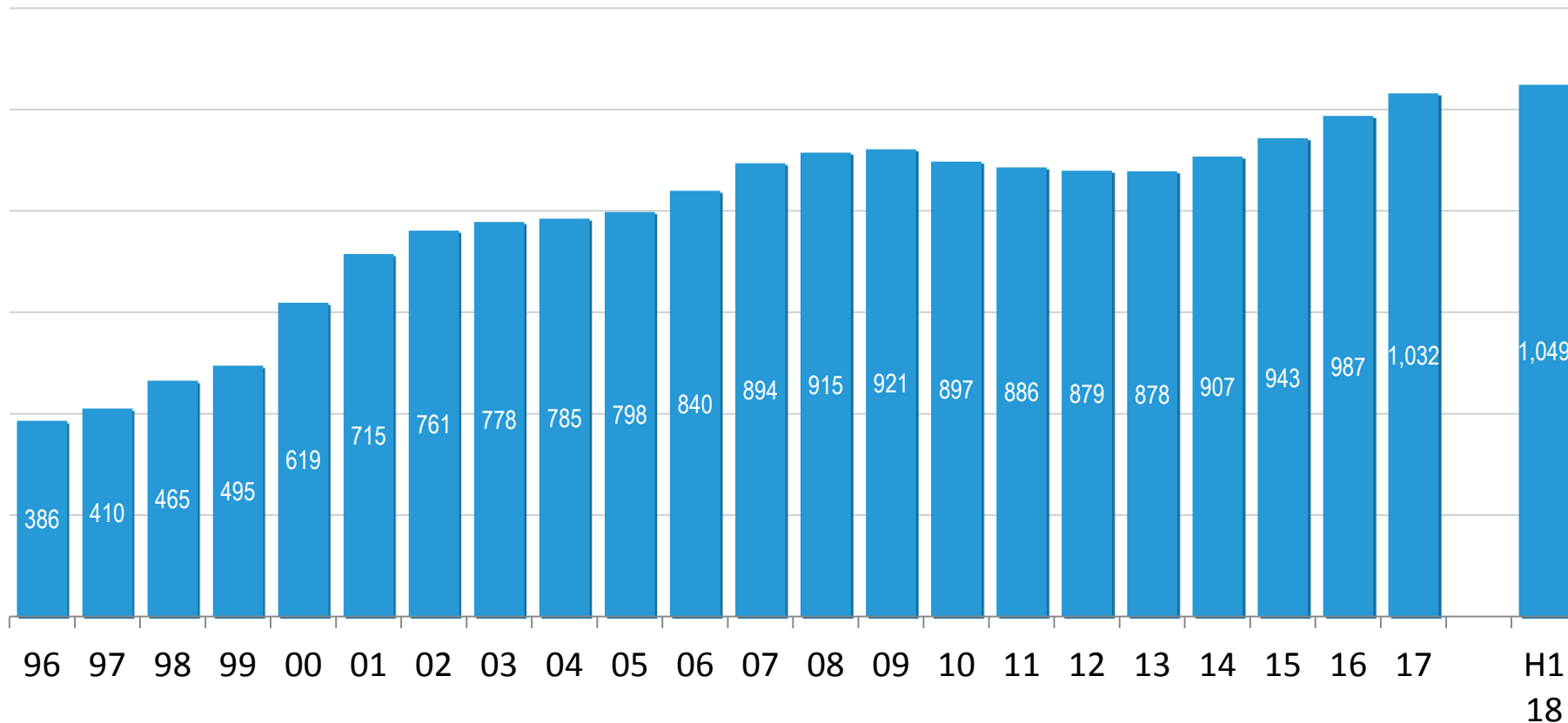








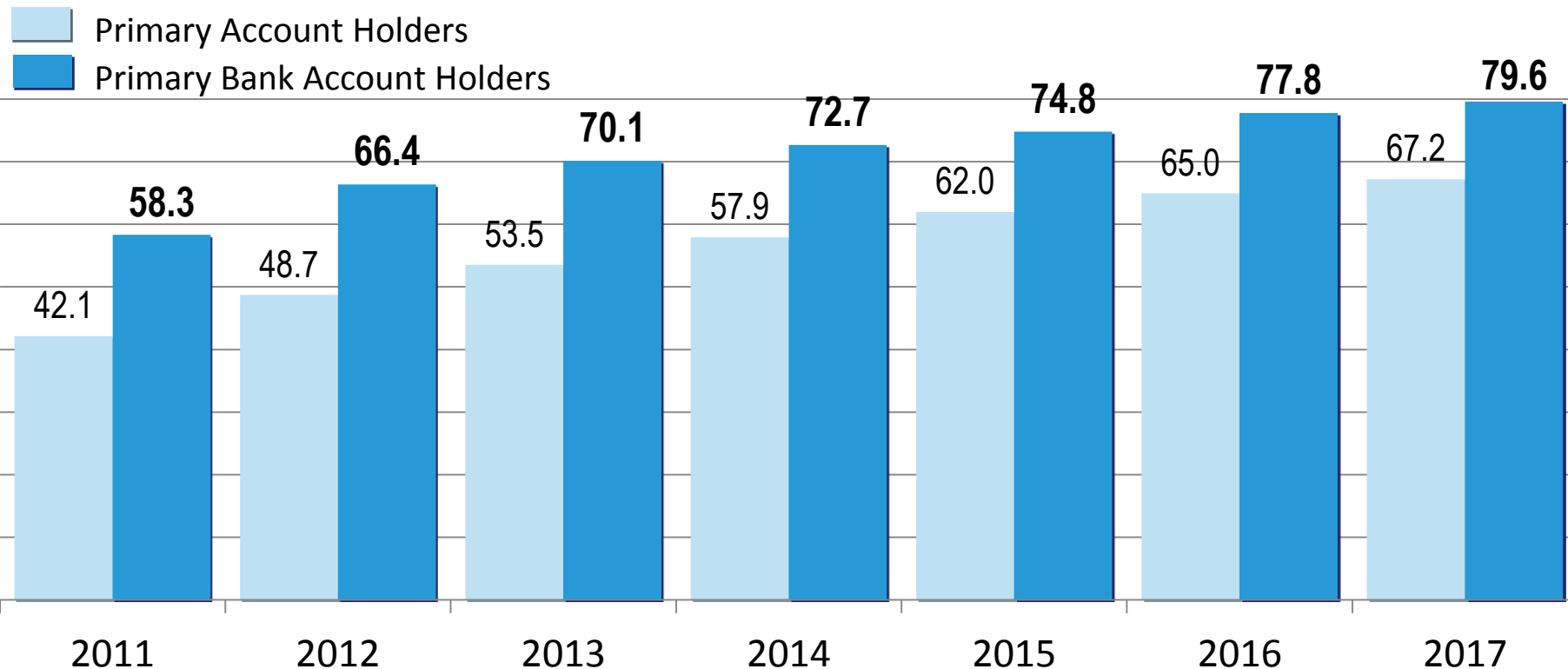




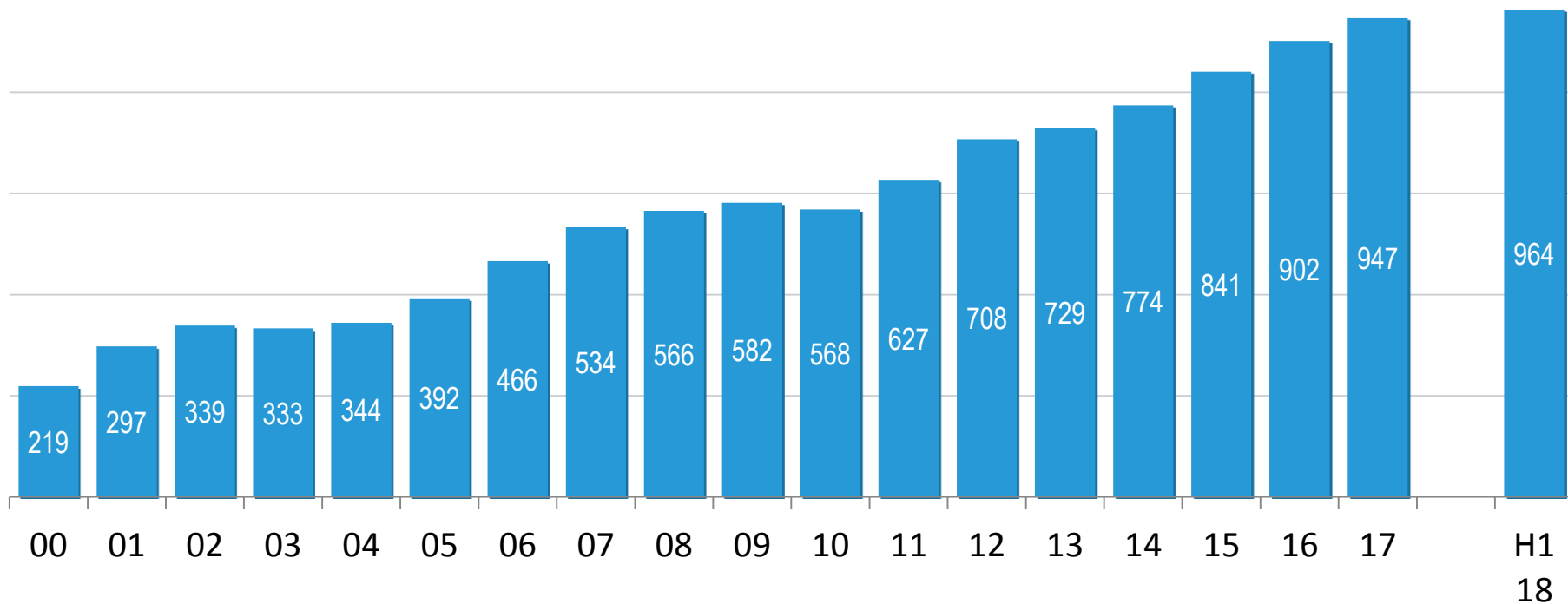
# Banca Mediolanum

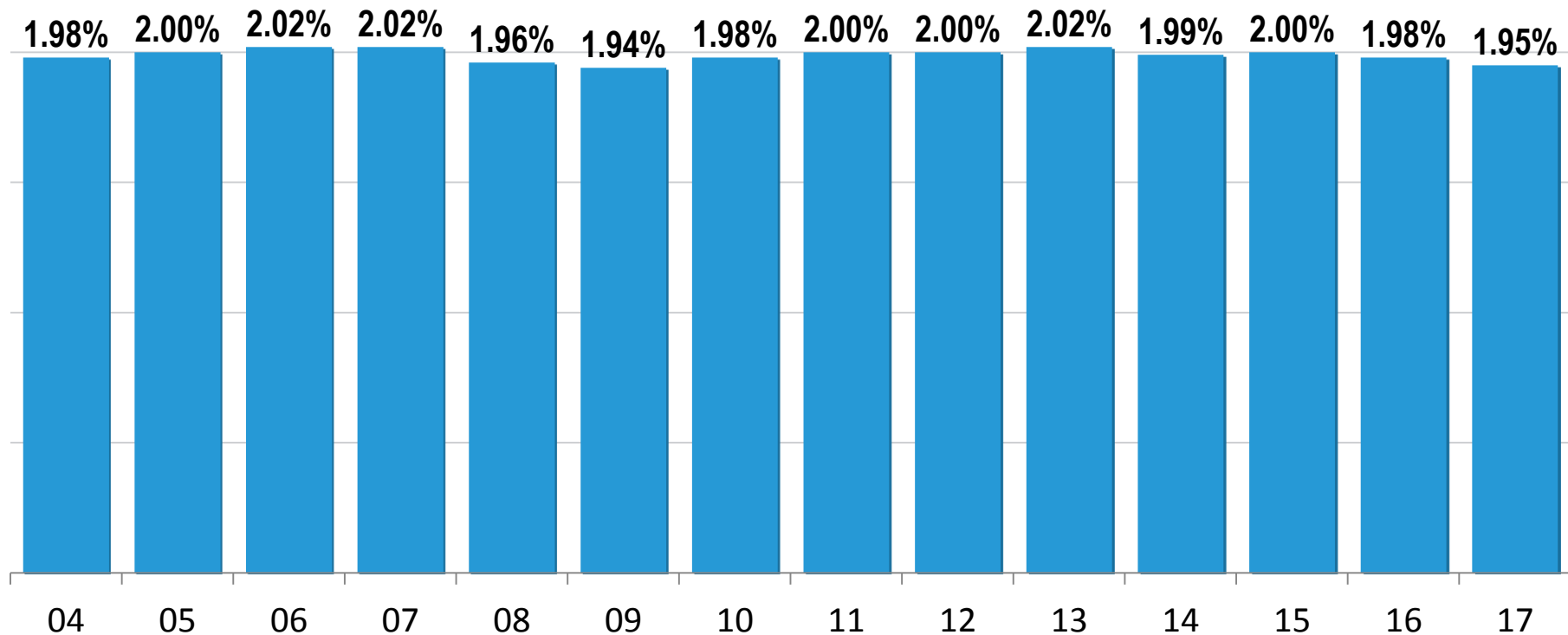
## Average Assets per Customer

€ thousands

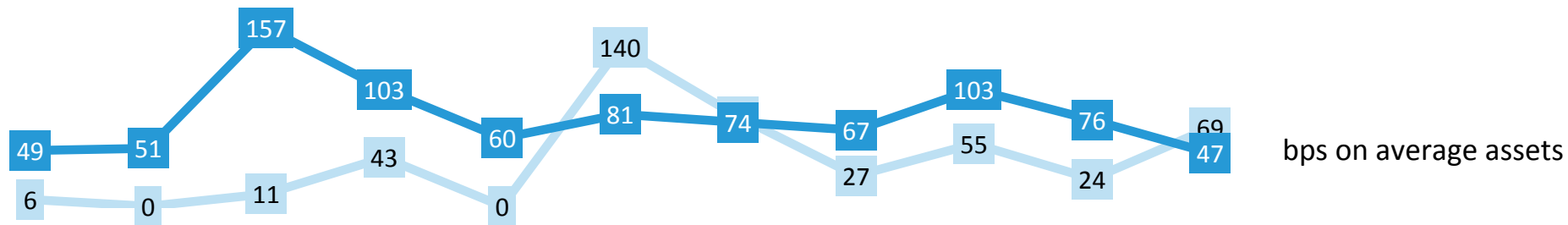
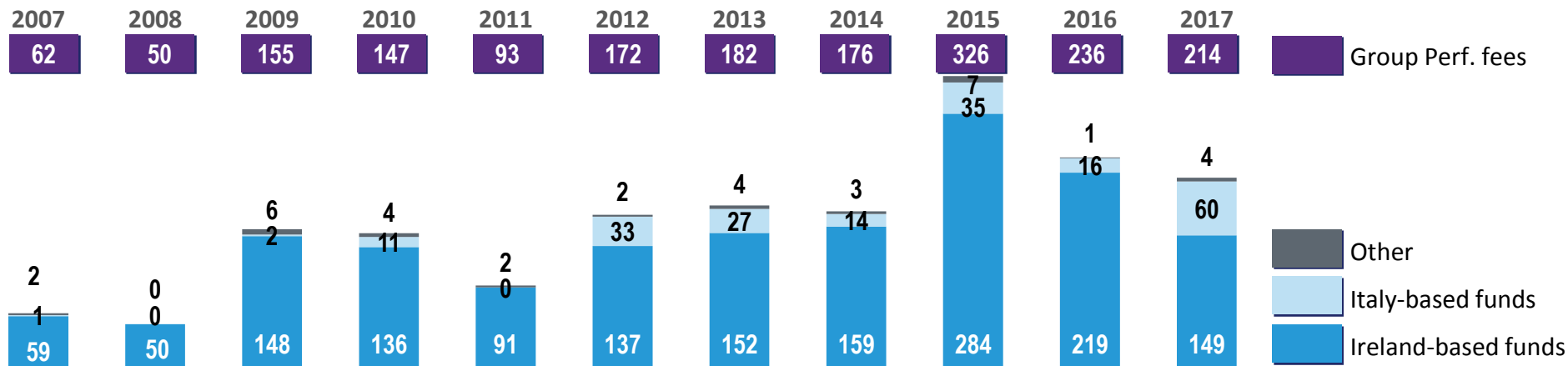


Since March 2005 all new customers are required to open a bank account as their first product





\* including insurance commissions on U-L policies



bps on average assets

Ireland-based funds: bps are calculated only on assets subject to perf. fees. Italy-based funds: all assets are subject to perf. fees

Change in perf. fees calculation method will only impact Ireland-based funds w/ perf. fees



Our investment strategy  
explains the consistency of our inflows  
& transfers 'technical performance' into 'customer performance'

- We advise our customers proposing products & services that correspond to each of their **specific needs**
- Investor needs remain fundamentally the same, they are **not influenced by market crises**
- We do not engage in stock-picking, tactical asset allocation decisions, or market-timing
- We recommend a series of **diversification criteria**, the most important being **time horizon**
- **Equity** investments are only considered for the **long term** (>10 yrs) and are diversified across the **global economy** to further reduce risk
- We strongly advise investors who have a long-term outlook to view **market crises as buying opportunities**

# 74 The 'Intelligent Investment Strategy' Service launched June 2016

A long-term investment strategy (10+ yrs, € 30k+) that allows our customers to **gradually enter equity markets** in order to take advantage of the overall growth of the world economy

**Designed to remove emotional barriers** associated with equity investments by making rational choices at the beginning of the plan rather than during crises or volatile markets

The amount invested is first put into our 'Euro Fixed-Income A' money market fund, and then **fully converted into Mediolanum equity funds or MyLife U-L wrap account** over 3-4-5 years through automatic transfers 1-2 times per month

Thanks to the **Automatic Step-In/Step-Out** feature, when the **unit price of equity funds has a strong decrease\*** the **transferred amount is multiplied accordingly**.

Vice versa, in the case of an extraordinary increase (+10% or 20%), the capital gains are shifted back into the money market fund

\* versus each customer's average purchase price.



| Equity Fund Unit Price | Instalment amount |
|------------------------|-------------------|
| 5% to 10% decrease     | X2                |
| 10% to 15% decrease    | X3                |
| 15% to 20% decrease    | X4                |
| 20% or more decrease   | X5                |

# 'MyLife' Unit-Linked Policy

## Insurance wrapper for mutual funds

launched March 2014



### Addresses all needs of HNW investors

**Financial planning:** flexible, hassle-free diversification across all investment classes; access to 100+ funds (up to 40% picked from a selection of 3<sup>rd</sup>-party funds)

**Legal protection of investments:** assets cannot be seized or frozen

**Succession planning:** one or more beneficiaries, irrespective of applicable inheritance laws; can be easily modified at any time

**Tax efficiency:** capital gains tax is deferred to the time of policy liquidation.  
No inheritance / income tax is due on amounts received by beneficiaries

### Additional features

#### Income drawdown

can be requested at any time; choice of duration (5-15 yrs) & frequency

#### Basic Death Benefit included

up to 2.5% of assets depending on age at death. Supplementary coverage also available

#### Mediolanum's trademark **investment optimization:**

yields over a pre-set threshold can be automatically set aside and reinvested during market drops

|                         | 2008 | 2017         |
|-------------------------|------|--------------|
| HNW Customers (€ 2+ mn) | 146  | <b>1,380</b> |
| AUM (€ mn)              | 730  | <b>7,279</b> |



**a full range of services to meet the needs of the most demanding customers**

- Wealth Planning:** optimisation of financial resources, structuring family governance
- Asset Protection:** generational handover, succession planning, wealth preservation
- Corporate & Business Advisory:** extraordinary financial operations, search for financial partners, business expansion, total or partial acquisition /sale of company
- Investment Advisory:** highly specialised, constant analysis and advice re: investments in art & real estate
- 'Mediolanum Fiduciaria' Trust:** confidentiality & simplification in the management of family assets

- Managed account designed for HNW individuals
- Invests in Mediolanum funds, 3° party funds, securities & ETFs
- Allows for a high level of flexibility, diversification and multiple investment styles & strategies
- Tax optimization on capital gains/losses



#### **'Strategica' – min 70% (3 investment styles, 9 strategies):**

- **Income:** 4 strategies with different equity exposures (10% to 70%) providing quarterly income
- **Control:** 3 strategies focusing on controlling max potential losses (max VaR 4%, 6% or 10%)
- **Growth:** 2 strategies (40% & 80% equity exposure) investing in global markets & sectors with a mid/long-term growth prospects

#### **'Opportunità' (2 investment styles, 9 strategies):**

- **Opportunity:** 3 strategies where asset managers have broader mandate to exploit opportunities across financial & real assets securities
- **Top Selection** (max 30% of total investment): customers chose among 6 strategies from a selection of Mediolanum & 3° party funds

# The 'Freedom' Current Account

launched March 2009, reengineered March 2012



- Launched in the wake of the Lehman Bros. bankruptcy, exploited **Mediolanum's unique situation** in terms of high liquidity & good reputation
- Designed to be the best account in the market for HNW individuals:  
**no remuneration** of deposits **up to € 15,000**; **very appealing interest** paid **on the excess** balance
- Rate offered is **advertised in advance** for each quarter
- In the original 'Freedom', the interest was actually paid on a **Life policy** connected to the current account; this resulted in a **tax rate of 12.5% instead of 27%** for the customer
- Mediolanum's integrated structure & sophisticated software architecture allowed the entire balance to be available to the customer at any time, by **seamlessly moving money** back and forth between the bank account and the Life policy
- After tax reform of 2012 'Freedom' became '**Freedom+**' - a pure banking product
- Switching to 'Freedom+' is encouraged – delivers the same product promise, but entails **lower G&A expenses** and **capital absorption** for Mediolanum



## Training & Communication: Mediolanum Corporate University



- Inaugurated March 2009
- Centralises our training know-how, in coordination with top universities, professors and individuals who are experts in the field
- Provides our Family Bankers & employees with a resource for life-long education
- Develops financial education programs dedicated to our customers & the community



## A proprietary state-of-the-art tool established in 1989

Encrypted programs to train, motivate & communicate with our Family Bankers

- Financial news commented by top company executives
- Company news & product information
- Online training course support
- Inspirational thoughts for personal motivation & sales techniques



**Daily specials dedicated to crisis-related topics  
were added to the ongoing programming  
in 2008, 2009 & 2011**



Approximately **4,200 events** held in 2017:  
local & high-level events, sports events (e.g. Giro d'Italia), talk shows, etc.

Over **224,000 customers & prospects** attending

### Results are measurable:

Net inflows into managed assets of invited customers in the 3 months post-event

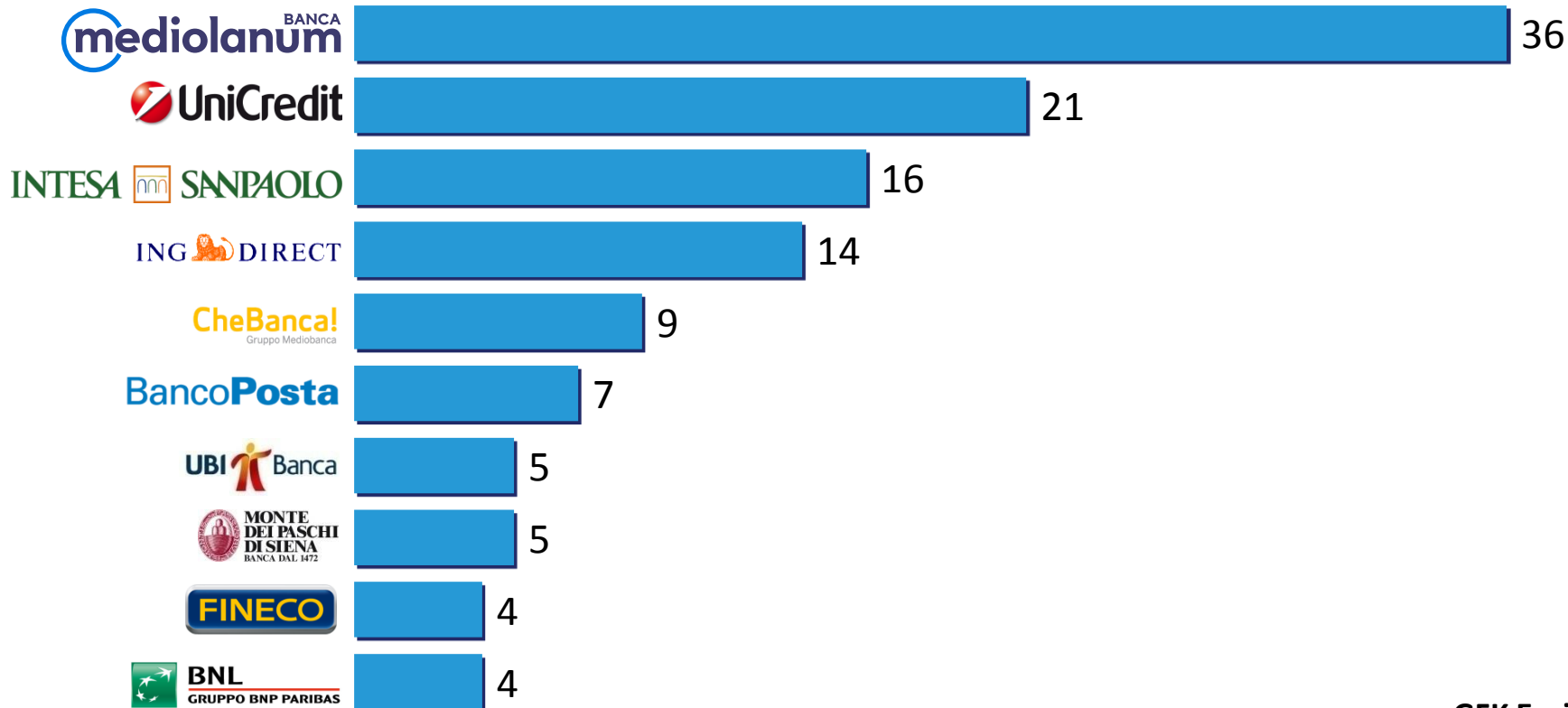
expenses are reimbursed to Family Bankers only if set commercial target is met (80% of the times in 2016)

Average commercial value of media coverage is also regularly tracked



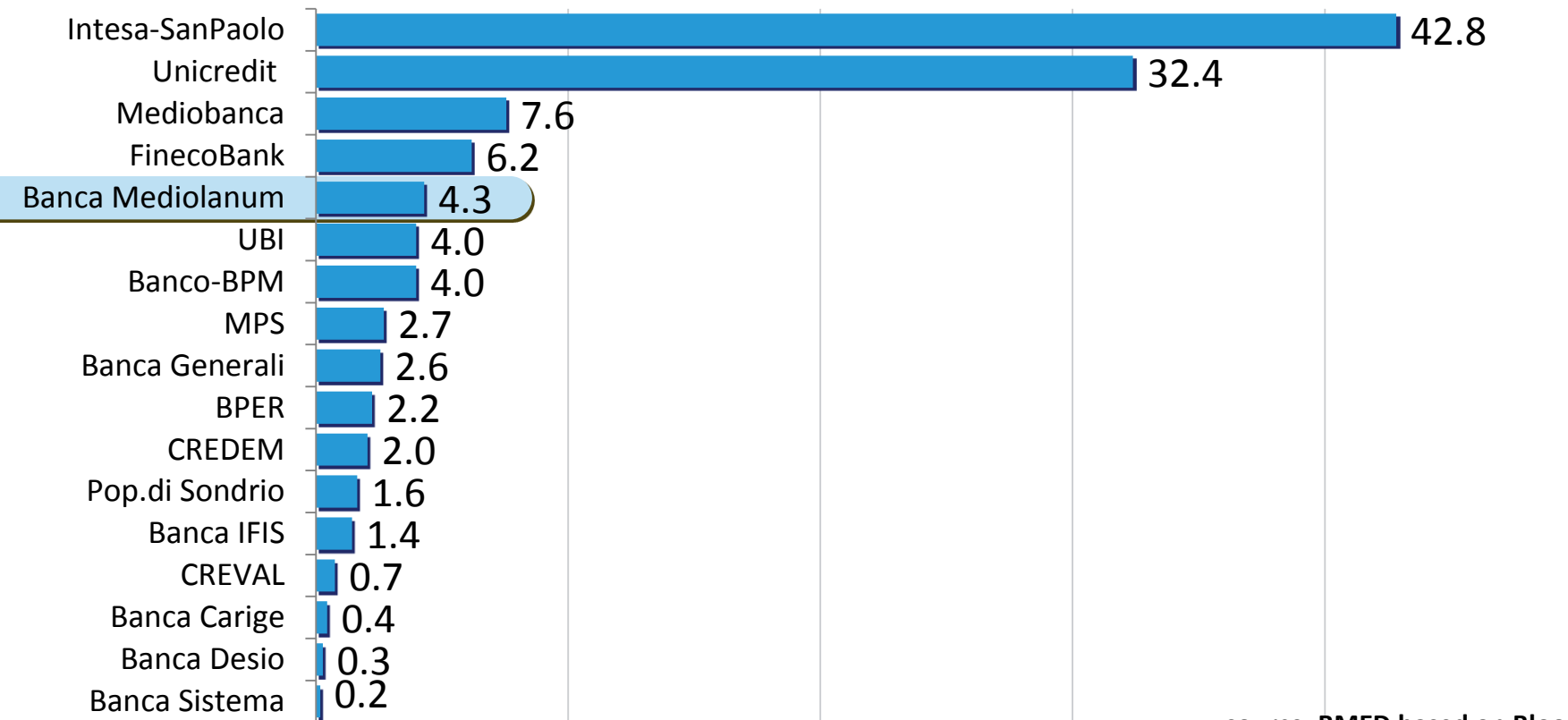
# Banca Mediolanum's advertising The most memorable in the banking industry

Spontaneous recall of bank advertising in Italy – H1 2018

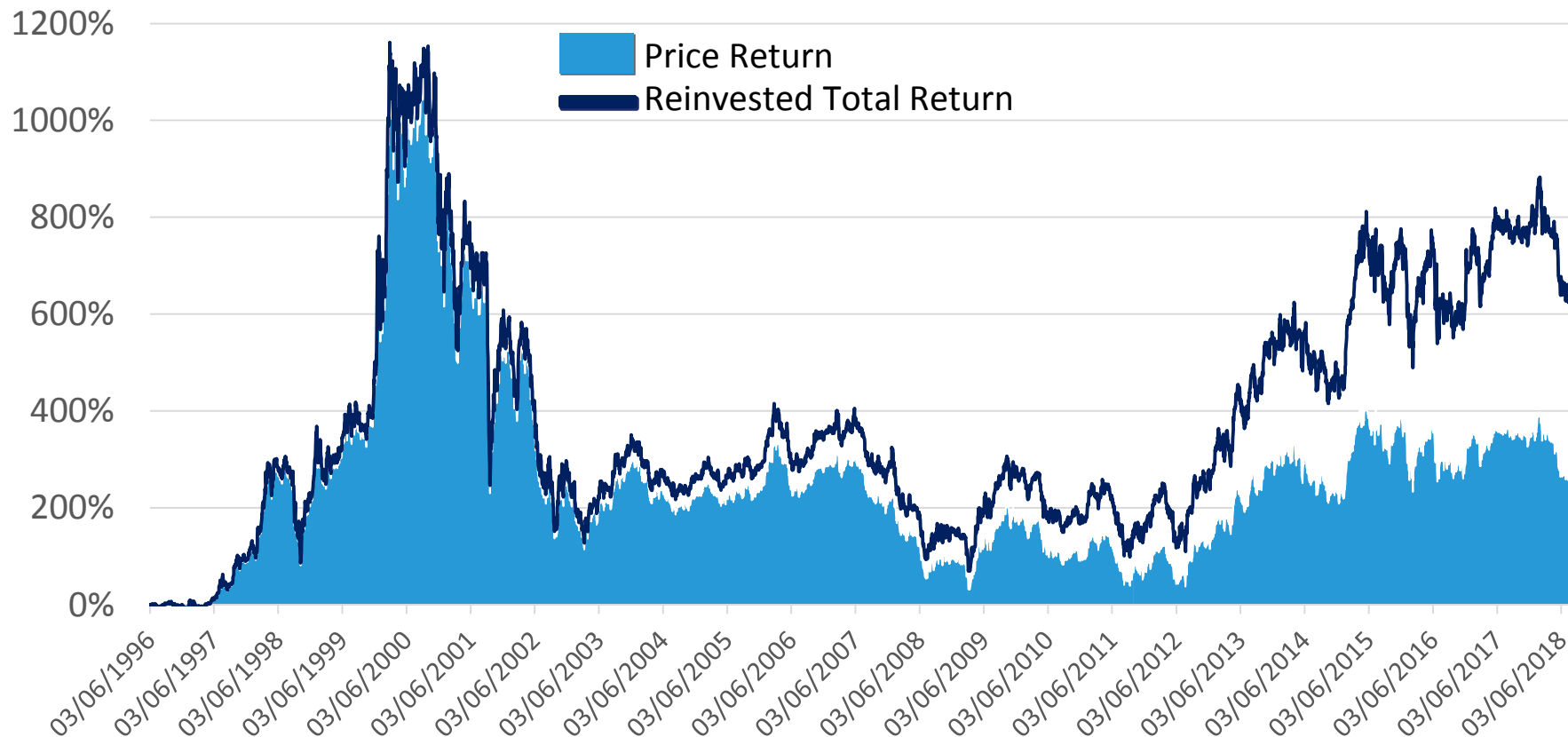


# Ranking of Italian Banking Groups by Market Capitalisation

€ bn - as at 25/07/2018



source: BMED based on Bloomberg data



\* Total Return Index includes dividend reinvestments, June 3, 1996 – Jun 21, 2018

source: Datastream



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#### **DECLARATION BY THE SENIOR MANAGER IN CHARGE OF DRAWING UP COMPANY ACCOUNTS**

The undersigned, Mr. Angelo Lietti, declares, pursuant to Section 154 bis (2) of Legislative Decree 58/98 "*Testo Unico della Finanza*", that the accounting data set out in this presentation agree with the documentary records, books and accounting entries.

The senior manager in charge of drawing up Company Accounts

Angelo Lietti

**Alessandra Lanzone**

**+39-02-9049.2039**

[alessandra.lanzone@mediolanum.it](mailto:alessandra.lanzone@mediolanum.it)

**Lisa Maxon**

**+39-02-9049.2997**

[lisa.maxon@mediolanum.it](mailto:lisa.maxon@mediolanum.it)

**Luca Pugliese**

**+39-02-9049.2721**

[luca.pugliese@mediolanum.it](mailto:luca.pugliese@mediolanum.it)

**Banca Mediolanum**  
**S.p.A.**

Via Francesco Sforza 15  
20080 Basiglio MI – Italy

<http://www.bancamediolanum.it>