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Testo del comunicato

Vedi allegato.

MEDIOBANCA

MEDIOBANCA
BOARD OF DIRECTORS' MEETING

Milan, 7 February 2019

MEDIOBANCA

Interim financial statements for six months ended 31/12/18 approved

Mediobanca confirms distinctive business model, achieving its best half-year results ever by revenues and profitability, despite market uncertainty and macro deterioration

Focus on specialized, highly profitable activities where growth is driven by long-term trends

Revenues up 9%, GOP up 16%; ROTE 11%

All divisions show solid, double-digit ROAC: Consumer Banking at 32%, Principal Investing at 17%, Wealth Management and Corporate & Investment Banking at 16%[1]

Regulation: substantial benefits expected to derive in 2019

Results for the six months include:

- **Growth in Total Financial Assets** ("TFAs", up 11 % YoY to **€65bn),** with **net new money** of **€3.4bn in the six months (€1.5bn of which in Q2)**

- **Growth in loans** (up 8% YoY and up 2% QoQ, to €43bn)

- **Growth in funding volumes** (up 7% YoY and up 2% QoQ, to €51bn), **with the average funding cost declining** (down 10 bps in the six months and down 5 bps in Q2, to 80 bps), due to diversification of funding sources and strength of the Mediobanca brand

- **Growth in revenues** (**up 9%** YoY, **a €1,277m**) **in all components**, in particular as follows:

  - **Net interest income up 4%** YoY and up 4% QoQ, following a solid performance in terms of both assets and margins, in consumer credit and by the Holding Functions division in particular;

  - **Fee income up 7%** YoY, driven by WM and CIB; CIB in particular delivered a 16% increase in fees for Q2, on the back of a sound performance in corporate finance activities;

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[1] Including €1.4bn reduction in RWAs due to validation of AIRB models for mortgage lending, effective as from 2019.

- **Growth in GOP** to **€606m, up 16%** YoY), on a **low cost of risk of 52 bps** (NPLs/loans ratios decreasing: gross 4.3%, net 1.9%);

- **Net profit of €451m and ROTE 11%** despite absence of one-off gains

- **Capital, funding and liquidity confirmed at high and sustainable levels:**

  - **CET1: 13.9%**[2] including approx. 40 bps deduction due to buyback (all upfront)

  - **LCR**[3]:185%,**NSFR:**[4] 107%

  - **MREL liabilities: 42%** of RWAs (as measured at 30/6/18)

- **Good news from regulation**:
  - **SREP: CET1 confirmed at 8.25%** for 2019

  - **Extension to Danish Compromise**[5] **for Assicurazioni Generali stake until 2024** (thus avoiding 120 bps deduction from CET1 due to take effect from 2019)

  - **CheBanca! mortgage AIRB model validation obtained**, with a saving of €1.4bn in RWAs equivalent to an additional 40 bps in CET1[6]

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With Renato PAGLIARO in the Chair, the Directors of Mediobanca approved the Group's individual and consolidated financial statements for the six months ended 31 December 2018, as illustrated by Chief Executive Officer Alberto NAGEL.

Consolidated results

The macroeconomic scenario deteriorated again in the final quarter of 2018, due to increased uncertainties over global growth, along with an abrupt price correction in all the main asset classes. Despite the challenging operating environment **Mediobanca has continued to grow, delivering a 9% increase in revenues in the first six months, and a 16% increase in gross operating profit net of loan loss provisions. Net profit for the period totalled €450.5m, lower than the €476.3m reported at the same point last year due solely to the lack of AFS equity stake disposals, which in the six months to end-December 2017 had generated €94.4m.** In the half-year under review, all the banking divisions posted improving or stable year-on-year results, helped by a buoyant trend in **lending (up 4.4%) and funding (NNM of**

[2] Calculated including Danish Compromise and excluding IFRS 9 effect of approx. 20 bps.
[3] 12M average calculated at end-December 2018.
[4] Point-in-time reading as at 31 December 2018.
[5] "Danish Compromise" refers to the possibility for Mediobanca to weight its shareholding in insurer Assicurazioni Generali rather than deduct it from capital, under Article 471 of the CRR and in compliance with the concentration limits in force. Under CRR II, which is currently at the approval stage, the Danish Compromise has been extended until end-2024; without this extension, the estimated deduction from capital would be 120 bps.
[6] Authorization subject to certain activities being completed by end-March 2019.

€3.4bn). The Group's capital situation remains solid, with the Common Equity Tier1 ratio at 13.9% (including the full effect of the share buyback), **as does the liquidity position (funding up to €50.8bn).**

The main income items performed as follows:

- **Net interest income rose by 4.2%, to €700.6m,** due to positive performances in Consumer Banking (up 4.1%) and Corporate and Investment Banking (up 2.1%), plus a reduction in the cost of funding (from 90 bps to 80 bps) despite the worsening market conditions;

- **Net treasury income climbed 14.3%, from €85.4m to €97.6m**, despite the fall in share prices at the year-end which affected the proprietary trading book's results, but was more than offset by client trading business;

- **Net fee and commission income rose by 7.5%, from €291.2m to €312.9m, on the back of the 15.5% increase in fees from Wealth Management**, from €121.7m to €140.6m, driven by organic growth and the consolidation of RAM (which added €19.7m), offsetting performance fees which were basically non-existent; **fee income from CIB business also grew by 5.2%**, from €116.5m to €122.5m, due to an excellent performance in M&A advisory (up 63.5%), offsetting the reduction in capital market fees;

- The contribution from the equity-accounted companies totalled €165.5m, up 36.6%, reflecting **the higher Q1 contribution from Assicurazioni Generali of €96.9m (versus €68.2m in Q2).**

Operating costs rose by 5.2%, from €533.6m to €561.6m, chiefly due to the addition of RAM (costs of €10.6m, €7.7m of which in labour costs), and the development of all business lines; the **cost/income ratio** remains low nonetheless, at **44%.**

Loan loss provisions were down in all segments, by 3.3% overall (from €113.2m to €109.5m), with **a cost of risk which now stands at 52 bps** (180 bps in Consumer Banking and 17 bps in CheBanca! retail mortgage lending). Indeed, there were further writebacks in Wholesale Banking, of €30.6m, reflecting the ongoing improvements in the valuation of certain UTP positions.

The results for the six months reflect a €11.2m payment to the **Deposit Guarantee Scheme** (compared with €10.4m last year); a voluntary contribution was also made to Banca Carige by subscribing for subordinated tier 2 bonds in an amount of €6.4m, the redemption of which is conditional upon the planned capital increase actually taking place (the bonds have been adjusted to reflect the fair value recorded at the reporting date, namely €6.1m).

On the balance-sheet side, total assets[7] grew during the six months, from €72.3bn to €76.5bn, on higher lending volumes linked to expansion and diversification of funding. The main balance-sheet items reflected the following performances:

[7] Starting from this financial year, the Mediobanca Group is adopting IFRS 9 to represent its financial instruments. The transition to the new standard has resulted in an approx. €81m reduction in net equity, chiefly due to the introduction of the new impairment model; at the regulatory capital level, the impact will be spread over the course of the next five years.
The Group has availed itself of the right not to restate the comparative data for the first year of IFRS 9 adoption on a like-for-like basis. Accordingly, the figures for FY 2017-18, stated in accordance with IAS 39, are not fully comparable. For further details and full disclosure on the effects of first-time adoption of IFRS 9, which replaces IAS 39, please refer to the document entitled "Summary of IFRS 9 accounting standard adoption" published on the Group's website at www.mediobanca.com.

- **Loans and advances to customers rose from €41.1bn to €42.9bn**, with all segments contributing positively, especially Wholesale Banking (up 5.8%, from €14bn to €14.8bn, despite slowing in Q2) and Specialty Finance (up 21.2%, from €2.1bn to €2.6bn). The six months saw strong lending activity in Consumer Banking (new loans up 4.4%, from €3.3bn to €3.5bn) which translated to 2% growth in the loan stock to €12.8bn (€2bn of which in relation to salary-backed finance). New loans in mortgage lending climbed by almost 20%, from €694.5m to €829m, with the loan book increasing from €8.1bn to €8.4bn. Factoring turnover increased from €2.5bn to €3.3bn, while MBCredit Solutions made purchases of NPLs in the retail and SME unsecured segments for a nominal amount of €1.3bn with an outlay of €75m. Lending exposure to Private Banking clients was unchanged at €2.3bn, while the leasing stock declined from €2.1bn to €2bn;

- **Net NPLs decreased in absolute terms, from €842.1m to €825.6m, and in relative terms**, from 2.1% of total loans **to 1.9% (net)** and from 4.6% **to 4.3% (gross)** with the coverage ratio virtually unchanged at 57%. Net bad loans totalled €114m (€141.5m), and account for just 0.27% of total loans (30/6/18: 0.35%). The item does not include the NPL portfolios acquired by MBCredit Solutions, which total €345.1m (€287.9m), or the legacy bad debts generated by the French branch office (this activity was discontinued in December 2009);[8]

- **Direct funding increased, from €48.9bn to €50.8bn**, due to higher deposits at CheBanca! and in Private Banking (up approx. €2bn, to €21.2bn) and increased use of the banking channel (including through secured funding operations); debt security funding was also stable, despite €1.6bn in redemptions, completely refinanced at low cost due to the funding diversification, which has proved effective even in difficult market conditions;

- **Total financial assets in Wealth Management, or TFAs, rose from €63.9bn to €64.6bn, with €3.4bn in net new money (NNM)**, some of which was offset by the final valuation based on market prices. In particular, AUM and AUA declined from €37.3bn to €37bn, on NNM of €1.3bn which offset the market effect (€1.7bn reduction). The uncertain macroeconomic environment drove growth in direct funding, up €2bn in the six months as mentioned previously. Assets held under custody declined by €924m, as a result of certain unprofitable fiduciary mandates being closed and the market effect (which accounted for €350m). In detail: CheBanca! Affluent & Premier TFAs totalled €23.3bn (NNM of €1bn); Mediobanca Private Banking and the product factories reported TFAs of €19.7bn (€1.7bn); Compagnie Monégasque de Banque, stable at €10bn; the RAM and Cairn alternative product factories at €3.8bn and €3.9bn, with NNM of approx. €500m;

- **Banking book securities** (bonds classified as Hold to collect and Hold to collect and sell) were stable at €7.7bn, as were net treasury assets, at €4.9bn, despite the higher volumes (the sum of trading and treasury assets increased from €16.6bn to €19.5bn);

- **The Group's capital ratios at end-December 2018 remain solid, sustainable and well above the SREP requirement for 2019:**

    - Mediobanca has received the results of the supervisory review and evaluation process from the supervisory authority (the "SREP 2018 Decision"). **The authority has asked Mediobanca to maintain, as from March 2019, a CET 1 ratio of 8.25% on a consolidated basis (Total SREP Capital Requirement – TSCR – 11.75%), which includes the Pillar 2 ("P2R") requirement of 1.25%, unchanged from last year**, bearing out the

[8] In the six months under review, bad debts of €3.3m (corresponding to a gross value of €14.3m) were reclassified as financial assets held for sale under IFRS 5; a buyer has already been identified and a consideration agreed for these assets.

Group's asset quality and the adequacy of its risk management. The decision reflects the results of the Group's stress test, which confirmed our solidity even in negative scenarios (the impact on CET1 fully loaded is 182 bps, one of the lowest levels among EU banks);

- **Extension of "Danish Compromise" for the Assicurazioni Generali stake, to 31 December 2024:** Ecofin has agreed to the European Parliament and Commission's proposal[9] to revise the Capital Requirement Regulation ("CRR"), with Article 471 being amended to extend the transitional period **to 31 December 2024** (rather than 31 December 2018 as previously), and providing for the possibility for holdings in insurance companies not to be deducted where the level of monitoring of the risk entailed by the investment is considered to be adequate. As a result of these changes, **it is reasonable to assume that Mediobanca may continue to not fully deduct its investment in Assicurazioni Generali, opting to weight it at 370% instead;**[10]

- **The CET1 ratio stood at 13.87%**[11] **(30/6/18: 14.24%)**, reflecting the results for the period (net of the estimated payout), and also the launch of the share buyback (taken in full with an approx. 40 bps impact, including uses in connection with the performance share scheme), plus the change in the weighting of NPLs acquired by MBCredit Solutions (from 100% to 150%, which reduced CET1 by a further 5 bps). **The total capital ratio stood at 17.41% (18.11%);**

- **Capital ratios as at 31 December 2018 do not reflect validation of CheBanca! mortgage AIRB models expected in 2019**. With reference to the roll-out plan to gradually extend use of AIRB models, in December 2018 CheBanca! received authorization to use internal PD and LGD models to calculate the credit risk deriving from its mortgage business; use of the models is conditional upon the PD metrics being revised for certain sub-portfolios. Actual use of the models will begin in 1Q 2019**; the saving in terms of RWAs is estimated in the region of €1.4bn (average weighting of mortgage loans below 20%), with a corresponding increase in the Group's CET1 of around 40 bps;**

- **The liquidity and funding ratios remain high: LCR (Liquidity Coverage Ratio) 185% (12M average); NSFR (Net Stable Funding Ratio) 107%**

- **MREL liabilities** totalled **€20.1bn** at 30/6/18, including own funds (CET1 and T2) and senior liabilities, as Mediobanca does not have a subordination requirement; as at end-June 2018, MREL liabilities represented **42%** of RWAs (€47.4bn).

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[9] The amended regulation will be published in due course in the Official Journal of the European Union once final approval has been received from the European Council and Parliament.
[10] Without prejudice to compliance with the concentration limit.
[11] Calculated including the Danish Compromise and without including the approx. 20 bps IFRS 9 effect.

Divisional results

1. <u>Wealth Management:</u> €65bn in TFAs, €3.4bn in NNM in 6M, €272m in revenues (more than 20% of Group total revenues), ROAC 16%[12]

Some two years after the launch of the new platform, the WM division has delivered excellent commercial results on the back of the ongoing franchise expansion. Recruitment of affluent relationship managers has continued, (who now number 418), with those in private banking refocused on providing an integrated service with CIB. The CheBanca! FAs network has doubled in size in the past year to 288 (44 of whom added in Q2 alone). **At the same time, the number of clients has grown by around 50K in the past twelve months, to 840K** (30K in the last 6M).

NNM for the six months totalled €3.4bn, well diversified by product and channel, with **TFAs up 11% to €64.9bn**, €23.3bn of which attributable to CheBanca! and €41.3bn to Private Banking and the asset management companies.

In terms of earnings results, the division posted **a 6.5% increase in revenues to €272.2m, now accounting for 21% of the Group total**, in part due to the consolidation of RAM (adding €19.7m); operating costs totalled €215.1m, some 7.2% higher than last year (or 1.9%, net of the €10.6m attributable to RAM). GOP climbed by 9%, to €51m, whereas net profit was stable at €35.7m, due to the normalization of tax charges. **ROAC rose from 13% to 14%, due to RWA optimization in private banking, and rises to 16%** if the CheBanca! mortgage AIRB benefits are factored in (effective from 2019).

1.1. Affluent & Premier: TFAs totalling €23bn, NNM €1bn, more than 30k clients added in 6M, GOP increasing, ROAC 11%[12]

CheBanca! continues to **strengthen its franchise and multi-channel offering**:

- **The client base continues to increase**, now 837,000 (30/6/18: 807,000), with the digital channel accounting for 40% of the new customers;
- **The proprietary network** has been further strengthened with the addition of new affluent/premier relationship managers, who now total **418**. The number of **FAs has now reached 288** (up from 226 at end-June 2018 and 157 at end-December 2017) based at 59 POS (compared with 46 at end-June 2018 and 35 at end-December 2017); the objective of reaching 320 FAs by June 2019 is confirmed;
- The **"open-guided" investment platform** has seen the launch of new Mediobanca SGR products and the development of a new composite insurance policy in conjunction with Aviva and distributed by the FAs. In December a new **mobile collaboration** was released, to allow customers to subscribe digitally and remotely for advisory proposals, making the entire process much more efficient.

High business levels despite volatility on financial markets:

[12] Including €1.4bn reduction in RWAs deriving from validation of AIRB models for mortgages, effective as of 2019.

- **Net new money ("NNM") of €1bn gathered in the six months, €0.4bn of which in Q2, consisting entirely of AUM/AUA. The inflows were split equally between channels** (50% proprietary, 50% FAs) with an **improvement in mix** (75% in AUM/AUA and 25% in deposits);

- As at end-December 2018, **TFAs reached €23.3bn**, up 13% YoY and up 3.2% versus end-June 2018; AUM/AUA totalled €8.9bn (up 5.6% since the balance-sheet date), while direct funding rose 2% to €14.4bn;

- **Loans** to households **climbed** from €8.1bn to €8.4bn, on new mortgage loans of €0.8bn (up 19.4% on the €0.7bn reported in 1H FY 2017-18). **Asset quality remained at excellent levels**: gross NPLs declined from €332.1m to €314.8m, and account for just 3.7% of total loans. It should be noted that following the adoption of IFRS 9, the coverage levels for non-performing assets (stage 3) have increased by €19m. Net NPLs declined from €155.1m to €129.8m, and account for 1.5% of net total loans, with a coverage ratio of 58.8% (53.3%); net bad debts decreased from €92.7m to €67.8m, and account for 0.8% of net total loans, with the coverage ratio rising from 60.9% to 69.3%.

CheBanca! reported a gross operating profit for the six months up 11%, to €23.2m, on 1.7% growth in revenues (from €143.7m to €146.2m), due in particular to **fee income which rose significantly (up 12.9%**, from €36.8m to €41.6m) despite the scarce risk appetite among clients and the inclusion of charges paid to acquire FAs being booked pro rata as commissions payable. Operating costs were basically flat (up just 0.9%), and loan loss provisions declined from €8.3m to €7.2m. Net profit came in at €15.9m (unchanged), after higher tax of €7.3m (€5m) due to the normalization of tax charges.

At end-December 2018, an agreement was reached to dispose of the entire portfolio of legacy bad debts generated by the French branch office (this line of operations was discontinued in December 2009), carried at €3.3m (against a gross value of €14.3m). Closing will take place in the early months of 2019, so the items have been transferred to Financial assets held for sale (in accordance with IFRS 5).

1.2. HNWI & Private & AM: TFAs €41bn, NNM €2.4bn, ROAC 23%

In a scenario of high market uncertainty impacting strongly on client investments, **the Private Banking division generated NNM of approx. €2.4bn, concentrated primarily in deposits at Mediobanca Private Banking (€1.7bn) but also new AUM/AUA in the alternative segment (€0.5bn).**

TFAs at end-December 2018 were stable at the levels recorded six months previously, at €41.3bn, despite the substantial inflows to deposits, as a result of the negative market effect and due to certain unprofitable fiduciary mandates being closed. By asset class, deposits climbed 37% to €6.6bn, AUM/AUA totalled €28bn (down 3%), and assets under custody €6.7bn (down 11%).

Private Banking earned a **gross profit of €27.5m** in the six months, 5.4% higher than last year. This performance was helped by the consolidation of RAM (adding €5.2m), but at the same time reflects the almost complete lack of performance fees (31/12/17: €8.5m).

Revenues were up 12.7% (from €111.8m to €126m, €19.7m attributable to RAM), and reflect higher fees (up 16.6%, from €84.9m to €99m); net of RAM, fee income would have been down 6.6% exclusively due to the absence of performance fees, as the **recurring component grew by 3%**. Net interest income rose from €20.1m to €23.6m, due to an improved contribution from CMB (up from €16.2m to €19.8m).

Costs were up 15.7%, from €86.1m to €99.6m, with RAM responsible for €10.6m, split between labour costs totalling €7.7m and administrative expenses of €2.8m.

By individual business unit, CMB reported a net profit of €14m, on revenues of €47.4m, (€47.8m), costs of €30.4m (€30.2m), and tax of €3.2m (€3.4m); TFAs totalled approx. €10bn, €3.1bn of which in deposits and NNM of €223m. Mediobanca Private Banking and the product factories delivered a net profit of €3.4m, on revenues of €40.6m (€44.3m) reflecting the absence of performance fees (€4m last year) and costs of €36m (€35.2m), with TFAs of €19.7bn, including deposits of €3.4bn and NNM of €1.7bn. RAM contributed a net profit of €5.2m (net of minority interests totalling €1.6m), on revenues of €19.7m and costs of €10.6m, with TFAs of €3.8bn. Cairn Capital posted revenues of €8.4m (€10m) and costs of €9.9m (€9.7m), with TFAs of €3.9bn and NNM of €382m (mostly linked to CLO business).

2 Consumer credit. Growth continues: revenues up 4%, to €513m (40% of Group total), net profit up 9% to €174m, ROAC 32%

The growth strategy based on value of production and enhancing the distribution channels continues to prove effective. In the six months Compass has:

- **Strengthened its footprint, with the opening of six new branch offices and 16 agencies for a total of 192 direct POS**, granting approx. **€1bn in personal loans (up 15% YoY);**

- **Seen continuing growth in special purpose loans and salary-backed finance**, with total new loans of €3.5bn (up 4.4%);

- **Further improved its cost of risk which has reduced from 204 bps to 180 bps in the past year**, and for several quarters has been at all-time low levels.

Compass earned a net profit of €174.4m in the six months, 9.3% higher than last year, on revenues of €513.4m (up 4.1%), costs of €141.9m (up 3.6%; cost/income ratio 27.6%), and loan loss adjustments of €113.9m (down 6.3%).

By individual revenue source, net interest income was up 4.1%, from €432.3m to €450.2m, with margins and volumes growth resilient; while net fees and commissions rose by 3.9% (from €60.8m to €63.2m), in line with the commercial growth and despite higher *rappel* commissions payable to distribution partners.

Operating costs were up 3.6%, from €137m to €141.9m, due to strengthening of the headcount (with 15 new employees taken on) and distribution network (with six more direct branch offices and 16 more agencies).

Loan loss provisions were down 6.3%, from €121.6m to €113.9m, representative of ongoing improvement in the cost of risk (now 180 bps, compared with 199 bps at 30 June 2018 and 204 bps at 31 December 2017).

Loans and advances to customers increased from €12.5bn to €12.8bn, with new loans for the six months up from €3.3bn to €3.5bn; around 60% of the stock is made up of personal loans, while salary-backed finance accounts for slightly more than €2bn (16%). Gross NPLs declined from €698.5m to €694.8m. and account for 5.1% of total gross loans (5.2%); while net NPLs were near their lowest-ever levels, at €185.8m (just 1.5% of total loans), with a coverage ratio of 73.3% (73.4%). Net bad loans total €13.2m, representing just 0.1% of the total loan book, and reflect a coverage ratio of 93.6%. The coverage ratio for performing items rose from 2.7%

to 3%, as a result of applying the new IFRS 9 models. NPLs worth a total of €114.1m were sold externally to the Group in the six months (compared with €97.5m last year).

3 Corporate & Investment Banking: revenues up 10% in Q2; capital optimization; ROAC up to 16%

In Corporate & Investment Banking, Mediobanca once again confirmed its leadership position in Italy in the advisory and ECM segments, with increasing penetration in the mid-corporate area due in part to its double coverage with MB Private Banking. Q2 in particular saw intense activity levels in Capital Market Solutions (CMS) business, helped by the high market volatility, while our selective approach to lending delivered **impressive results in terms of the trends in cost of risk and capital absorption.**

Specialty Finance continues to grow, both in factoring, where **MBFacta now ranks as the eighth national player, and in NPLs management, where MBCredit Solutions has established itself as a stable market operator**. **As at 31 December 2018, Specialty Finance as a whole accounted for more than 20% of the CIB division's revenues.**

3.1. Wholesale Banking: fees up 6% YoY and up 16% QoQ; outstanding asset quality; ROAC up 16%

Wholesale Banking earned a net profit of €126.4m in the six months (€131.1m), a reduction of 3.6% due exclusively to lower writebacks on loans of €30.3m (€37.4m). ROAC rose from 13% to 16%, due to the RWA savings achieved through introduction of the AIRB models and the ongoing on- and off-balance-sheet asset optimization process.

Revenues were up 1.7%, from €260.6m to €265m, as a result of improved performances from Corporate Finance (up 63%, to €47.9m) and Capital Market Solutions (up 56%, to €66.9m); the main income items performed as follows:

- **Net interest income fell by 7.4%**, from €106m to €98.2m, due to lower margins on loans only in part offset by the higher stock (up 5.2%) which remains concentrated in quality counterparties;

- **Net treasury income rose by 11.1%**, from €64.6m to €71.8m, due to growth in business with CMS clients, the contribution from which grew from €38.4m to €63m, compensating for the reduction in income from the trading book, which declined from €24m to €6m, reflecting the downturn on markets witnessed in the fourth quarter of 2018;

- **Net fee and commission income grew by 5.6%**, from €90m to €95m, on positive results in Corporate Finance which offset the decline in capital market operations.

Operating costs rose from €101.8m to €106.9m, due to additional overheads and sundry other costs arising in connection with projects and updates to the IT procedures (which added €1.3m), higher legal and consultancy expenses (€1.2m), and an increase in costs incurred by support units (€2.1m).

Financial assets (loans and banking book securities) reflect net writebacks of €30.3m, due chiefly to certain UTP positions being improved.

Loans and advances to customers grew from €14bn to €14.8bn, on new loans of €3.6bn, following repayments of €2.8bn, €1.2bn of which were early repayments (lower than last year). Gross NPLs, consisting entirely of unlikely-to-pay exposures generating positive cash flows, decreased from €648m to €631.2m, and account for 4.2% (4.5%) of the total loan book. As an effect of the writebacks mentioned above, net NPLs increased from €341.7m to €360.9m but remained flat in relative terms, at 2.4% of the loan book, with the coverage ratio reducing from 47.3% to 42.8%.

3.2. Specialty Finance: strong growth in assets and results, ROAC 18%

Specialty Finance reported **a 31.3% increase in net profit for the six months**, up from €15m to €19.7m, split equally between MBCredit Solutions (up from €8.3m to €10.2m) and MBFacta (up from €6.7m to €9.5m).

Growth in revenues of 21.1%, from €56.4m to €68.3m, reflects higher volumes in both segments, and is split between net interest income, which climbed 35.7%, from €30m to €40.7m (€23.8m MBFacta, €16.9m MBCredit Solutions), and net fee and commission income, up 3.8%, from €26.5m to €27.5m, €16.3m of which due to the higher collections on the NPLs portfolio (€14.8m).

At the same time, operating costs were also up 17.9%, from €19.6m to €23.1m, due in particular to recovery costs in connection with NPL portfolio management (up from €4.8m to €7.1m).

Loan loss provisions rose from €14.6m to €16.3m, €8.8m of which in relation to factoring (in particular higher provisioning for instalment loans), and the other €7.5m to NPL management (for the most recent portfolios).

Growth of 21.2% in loans and advances to customers, from €2,137.3m to €2,590.8m, chiefly regards ordinary factoring (€1,836.6m, as against €1,449.4m), as well as instalment factoring (€413.5m, as against €399.6m), and non-recourse acquisitions of NPLs (€345.1m, as against €287.9m). The latter are concentrated in the retail unsecured segment (78.3%), and **in the six months there have been non-recourse purchases totalling €75m (with a nominal value of €1.3bn).**

4 Principal Investing: high profit of €159m, despite lack of capital gains; ROAC 17%

The sharp increase in revenues posted by the Principal Investing division, from €124.1m to €170.9m, is due to the higher contribution from the Assicurazioni Generali investment. However, net profit for the six months ended 31 December 2018 fell from €205m to €158.7m, due to the absence of gains on banking book equities, which last year added €93.8m, and to valuations of holdings in funds (down €10.8m).

The book value of the Assicurazioni Generali investment at the reporting date was €3bn, lower than the €3.2bn reported at 30 June 2018, due to lower valuation reserves (down €315.6m), partly offset by profits for the period (€165.1m); other investments declined from €258.7m to €127.4m, after disposals of €134.5m, the gains on which (€1.2m) were taken directly through other comprehensive income; investments in funds recognized at fair value increased from €459.8m to €502.6m, after new investments totalling €57m (€51m of which in seed capital) and redemptions totalling €4m.

5 Holding functions: funding volumes expanded at lower cost, loss reduced to €66m

The loss posted by the Holding Functions division fell from €70.2m to €65.8m, on an improvement in treasury management (liabilities of €31.8m, as opposed to €36.3m only in part offset by higher central costs, with profits earned from leasing operations unchanged. The negative total income figure virtually halved, with net trading income improving (from €4.9m to €12.3m); costs were stable at €81.3m (€80.9m), with **central costs less than 10% of the Group total**. Provisions for customer loans and financial assets declined from €5.7m to €4.1m.

There were also contributions to the interbank deposit guarantee fund of €11.2m (€10.4m), and €0.3m in fair value adjustments for the exposure to Carige subordinated bonds following the Group's voluntary intervention.

The various segments performed as follows:

- Group Treasury and ALM delivered a net loss of €31.8m, better than the €36.3m loss posted last year, due to the improvement in net interest expense (which was cut from €47.4m to €43m) and higher treasury income of €12.2m (€4.8m). In particular the result was helped by the **reduction in the cost of funding, from 90 bps to 80 bps, due to use of diversified forms of funding (retail and secured) supported by Mediobanca's solidity in periods of high market volatility, and the redemption of certain particularly expensive bond issues**; during the six months under review a total of six bonds were issued for a total of €1.6bn (including a €600m securitization of consumer credit receivables, and a €750m covered bond issue), coving redemptions and buybacks for basically the same amount. There was also an increase in the use of the banking channel, featuring transactions with maturities of over 24 months, in some cases guaranteed by receivables from lending: secured financing transactions during the six months totalled €400m, partially replacing those which fell due (€700m).

- **Leasing delivered a net profit of €2.6m, unchanged**, on revenues of €21.3m (€24.1m), operating costs of €12.4m (€13m) and loan loss provisions of €3.3m (€4.9m). Leases outstanding declined from €2,116.7m to €2,043.7m, despite new business increasing from €192m to €239m; at the same time gross bad loans declined from €206.6m to €208.1m, and represent 9.7% (9.4%) of the total loan book; whereas net bad loans fell from €140.2m to €126.9m, with the coverage ratio up from 32.2% to 39% ,in part as a result of the adjustments made under IFRS 9 FTA, to factor in potential disposal scenarios.

Mediobanca S.p.A.

Mediobanca S.p.A. delivered a net profit of €50.6m for the six months, lower than the €153.3m posted last year, due to the absence of gains on disposals of AFS equities which in 1H FY 2017-18 totalled €93.8m. Total income was up 3.8%, from €255m to €264.8m, with the main items reflecting the following performances:

- Net interest income rose by 1.3%, from €47.6m to €48.2m, despite the difficult market conditions and the reduction in credit spreads on loans to large corporate clients with high credit ratings;

- Net treasury income increased from €77.6m to €92.2m, boosted by the CMS area (where revenues rose from €38.9m to €63m), plus gains taken on the banking book of €5.7m (€11.5m) which offset the lower performance by the proprietary trading book of €8.8m (€26.3m);

- Net fee and commission income was unchanged at €124.4m, with Private Banking contributing €24.7m (€28.3m) and Corporate and Investment Banking adding €99.6m (€96m).

Operating costs were up 3.1%, from €199.6m to €205.8m, in particular due to projects related to upgrading the Private Banking platform and rationalizing the IT systems.

Net writebacks of €27.4m (€36.1m) were credited to the loan book, €33.4m of which corporate loans after certain UTP positions were revalued.

Loans and advances to customers rose by 5.4%, from €25.7bn to €27.1bn, €10.8bn of which Wholesale Banking, €1.1bn to Private Banking clients, and €15.2bn to Group companies; gross loan loss provisions declined from €658.2m to €643.7m, whereas net loan loss provisions rose from €344m to €363.3m as an effect of the writebacks mentioned above.

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On 8 November 2018, the share buyback programme authorized by shareholders at the annual general meeting held on 27 October 2018 and by the European Central Bank pursuant to Articles 77-78 of Regulation (EU) 575/2013 (the "CRR") on 23 October 2018 began. The buyback, which is in the process of being completed, involves a maximum of 3% of the share capital (or some 26.6 million shares), for use in connection with possible acquisitions or to implement share-based compensation schemes, current or future. As at 31 December 2018, Mediobanca owned a total of 17.1 million treasury shares (or 1.9% of its share capital), following purchases of 10.2 million and uses of 1.8 million shares in connection with the performance share schemes in force.

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The Mediobanca Group is also continuing the process of integrating ethical, social and environmental issues into its corporate strategy. For this reason it has begun broadening its policy on responsible investing and lending, and is currently assessing the sustainability objectives to be included in the next three-year plan. For the benefit of investors the Group, following its inclusion in the 2019 Bloomberg Gender Equality Index (in which only four Italian companies are represented), intends to increase its presence in the main ESG indexes. The Group's CSR initiatives include the opening of the CheBanca! Academy of Woodworking, in conjunction with the *Fondazione Cometa*, offering work opportunities to young people who are unemployed and/or have personal difficulties; and the continuation of the INSIEME/TOGETHER project, which promotes sport for young people in the most vulnerable categories of society who are at risk of social exclusion in certain disadvantaged suburban areas of Milan.

Milan, 7 February 2019

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MEDIOBANCA

1. Restated profit and loss account

Mediobanca Group (€m)	6 mths ended 31/12/17	6 mths ended 31/12/18	Chg. (%)
Net interest income	672.1	700.6	4.2%
Net treasury income	85.4	97.6	14.3%
Net fee and commission income	291.2	312.9	7.5%
Equity-accounted companies	121.2	165.5	36.6%
Total income	**1,169.9**	**1,276.6**	**9.1%**
Labour costs	(271.0)	(282.2)	4.1%
Administrative expenses	(262.6)	(279.4)	6.4%
Operating costs	**(533.6)**	**(561.6)**	**5.2%**
Gains (losses) on disposal of equity holdings	94.4	(9.8)	n.m.
Loan loss provisions (writebacks)	(113.2)	(109.5)	-3.3%
Provisions (writebacks) for other financial assets	(0.4)	(1.1)	n.m.
Other income (losses)	(10.4)	(11.1)	6.7%
Profit before tax	**606.7**	**583.5**	**-3.8%**
Income tax for the period	(128.6)	(129.6)	0.8%
Minority interest	(1.8)	(3.4)	n.m.
Net profit	**476.3**	**450.5**	**-5.4%**

2. Quarterly profit and loss accounts

Mediobanca Group	FY 2017-18				FY 2018-19	
(€m)	1Q 30/9/17	2Q 31/12/17	3Q 31/3/18	4Q 30/6/18	1Q 30/9/18	2Q 31/12/18
Net interest income	331.7	340.4	342.1	345.2	344.1	356.5
Net treasury income	38.7	46.7	39.0	33.0	40.8	56.8
Net fee and commission income	138.3	152.9	165.4	165.6	155.1	157.8
Equity-accounted companies	89.7	31.5	83.7	75.4	97.7	67.8
Total income	**598.4**	**571.5**	**630.2**	**619.2**	**637.7**	**638.9**
Labour costs	(129.9)	(141.1)	(137.9)	(148.9)	(137.9)	(144.3)
Administrative expenses	(125.8)	(136.8)	(141.8)	(152.7)	(133.5)	(145.9)
Operating costs	**(255.7)**	**(277.9)**	**(279.7)**	**(301.6)**	**(271.4)**	**(290.2)**
Gains (losses) on disposal of equity holdings	89.4	5.0	1.5	2.4	3.7	(13.5)
Loan loss provisions (writebacks)	(54.6)	(58.6)	(60.3)	(73.7)	(58.8)	(50.7)
Provisions for other financial assets	(1.3)	0.9	0.4	(1.3)	0.4	(1.5)
Other income (losses)	(5.1)	(5.3)	(28.3)	(19.7)	0.0	(11.1)
Profit before tax	**371.1**	**235.6**	**263.8**	**225.3**	**311.6**	**271.9**
Income tax for the period	(69.1)	(59.5)	(57.5)	(42.0)	(64.4)	(65.2)
Minority interest	(1.1)	(0.7)	(0.7)	(1.3)	(1.8)	(1.6)
Net profit	**300.9**	**175.4**	**205.6**	**182.0**	**245.4**	**205.1**

MEDIOBANCA

3. Restated consolidated balances sheet

Mediobanca Group (€m)	31/12/17	30/6/18	31/12/18
Assets			
Financial assets held for trading	10,105.0	8,204.9	9,315.4
Treasury financial assets	8,540.7	8,358.2	10,220.8
Banking book securities	7,605.7	7,744.7	7,697.5
Customer loans	39,612.4	41,127.9	42,936.2
Corporate	*13,438.3*	*13,996.9*	*14,809.8*
Specialty finance	*2,028.7*	*2,137.3*	*2,590.8*
Consumer credit	*12,097.5*	*12,517.8*	*12,766.2*
Residential mortgages	*7,710.0*	*8,107.1*	*8,381.5*
Private banking	*2,161.8*	*2,252.1*	*2,344.2*
Leasing	*2,176.1*	*2,116.7*	*2,043.7*
Equity holdings	3,684.0	3,983.1	3,737.1
Tangible and intangible assets	855.9	1,027.7	1,024.8
Other assets	1,686.0	1,854.0	1,599.3
Total assets	**72,089.7**	**72,300.5**	**76,531.1**
Liabilities			
Funding	47,382.5	48,893.2	50,752.4
MB bonds	*18,802.8*	*19,179.4*	*19,240.0*
Retail deposits	*13,078.4*	*14,163.0*	*14,414.3*
Private banking deposits	*5,088.1*	*4,933.7*	*6,785.9*
ECB	*4,344.6*	*4,336.5*	*4,328.8*
Banks and other	*6,068.6*	*6,280.6*	*5,983.4*
Treasury financial liabilities	6,870.2	5,290.4	6,541.3
Financial liabilities held for trading	6,699.5	6,462.4	8,087.7
Other liabilities	1,609.3	1,709.3	1,643.0
Provisions	219.9	213.0	212.6
Net equity	9,308.3	9,732.2	9,294.1
Minority interest	*84.9*	*87.9*	*89.2*
Profit for the period	*476.3*	*863.9*	*450.5*
Total liabilities	**72,089.7**	**72,300.5**	**76,531.1**
CET1 capital	6,718.7	6,746.6	6,586.6
Total capital	8,462.8	8,575.3	8,268.8
RWAs	52,109.2	47,362.7	47,487.6

4. Consolidated net equity

Net equity (€m)	31/12/17	30/6/18	31/12/18	Chg. (%)
Share capital	442.0	443.3	443.5	n.m.
Other reserves	7,479.4	7,572.8	7,892.7	4.2%
Valuation reserves	825.8	764.3	418.2	-45.3%
- of which: OCI	*203.6*	*121.5*	*84.3*	-30.6%
Cash flow hedge	*(10.4)*	*(15.7)*	*(15.4)*	-1.9%
Equity investments	*637.0*	*663.7*	*352.4*	-46.9%
Minority interest	84.9	87.9	89.2	1.5%
Profit for the period	476.3	863.9	450.5	-47.9%
Total Group net equity	**9,308.3**	**9,732.2**	**9,294.1**	**-4.5%**

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5. Ratios (%) and per share data (€)

Mediobanca Group	31/12/17	30/6/18	31/12/18
Total assets/net equity	7.7	7.4	8.2
Loans/funding	0.84	0.84	0.85
CET1 ratio (%)	12.9	14.2	13.9
Total capital ratio (%)	16.2	18.1	17.4
S&P rating	BBB	BBB	BBB
Fitch rating	BBB	BBB	BBB
Moody's rating		Baa1	Baa1
Cost/income ratio (%)	45.6	46.1	44.0
Net bad loans (*sofferenze*)/loans ratio (%)	0.4	0.4	0.3
EPS (€)	0.54	0.97	0.51
BVPS (€)	10.4	10.4	10.4
DPS (€)		0.47	
No. of shares in issue (millions)	884.1	886.6	887.0

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

6 mths ended 31/12/18 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	127.8	450.2	138.9	(3.6)	(23.5)	700.6
Net treasury income	3.8	—	71.9	9.0	12.3	97.6
Net fee and commission income	140.6	63.2	122.5	—	4.6	312.9
Equity-accounted companies	—	—	—	165.5	—	165.5
Total income	**272.2**	**513.4**	**333.3**	**170.9**	**(6.6)**	**1,276.6**
Labour costs	(109.2)	(48.6)	(66.7)	(2.0)	(55.7)	(282.2)
Administrative expenses	(105.9)	(93.3)	(63.3)	(0.5)	(25.6)	(279.4)
Operating costs	**(215.1)**	**(141.9)**	**(130.0)**	**(2.5)**	**(81.3)**	**(561.6)**
Gains (losses) on disposal of equity holdings	—	—	0.9	(10.8)	0.2	(9.8)
Loan loss provisions (writebacks)	(6.6)	(113.9)	14.3	—	(3.3)	(109.5)
Provisions (writebacks) for other financial assets	—	—	(0.1)	—	(0.8)	(1.1)
Other income (losses)	0.2	—	—	—	(11.3)	(11.1)
Profit before tax	**50.7**	**257.6**	**218.4**	**157.6**	**(103.1)**	**583.5**
Income tax for the period	(13.4)	(83.2)	(72.3)	1.1	39.1	(129.6)
Minority interest	(1.6)	—	—	—	(1.8)	(3.4)
Net profit	**35.7**	**174.4**	**146.1**	**158.7**	**(65.8)**	**450.5**
Customer loans	10,725.7	12,766.2	17,400.6	—	2,043.7	42,936.2
RWAs	5,696.5	12,041.1	19,819.2	6,004.1	3,926.7	47,487.6
No. of staff	1,897	1,432	571	10	798	4,708

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

6 mths ended 31/12/17 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	126.7	432.3	136.0	(3.6)	(24.6)	672.1
Net treasury income	7.1	—	64.5	6.5	4.9	85.4
Net fee and commission income	121.7	60.8	116.5	0.0	8.6	291.2
Equity-accounted companies	—	—	—	121.2	0.0	121.2
Total income	**255.5**	**493.1**	**317.0**	**124.1**	**(11.1)**	**1,169.9**
Labour costs	(95.0)	(47.4)	(66.7)	(1.8)	(60.1)	(271.0)
Administrative expenses	(105.6)	(89.6)	(54.7)	(0.5)	(20.8)	(262.6)
Operating costs	**(200.6)**	**(137.0)**	**(121.4)**	**(2.3)**	**(80.9)**	**(533.6)**
Gains (losses) on disposal of equity holdings	0.6	0.0	0.0	93.8	0.0	94.4
Loan loss provisions (writebacks)	(8.5)	(121.6)	21.9	0.0	(4.9)	(113.2)
Provisions (writebacks) for other financial assets	0.0	0.0	0.9	(0.5)	(0.8)	(0.4)
Other income (losses)	0.0	0.0	0.0	0.0	(10.5)	(10.4)
Profit before tax	**47.0**	**234.5**	**218.4**	**215.1**	**(108.2)**	**606.7**
Income tax for the period	(10.8)	(75.0)	(72.3)	(10.1)	39.8	(128.6)
Minority interest	—	0.0	—	0.0	(1.8)	(1.8)
Net profit	**36.2**	**159.5**	**146.1**	**205.0**	**(70.2)**	**476.3**
Customer loans	9,871.8	12,097.5	15,467.0	0.0	2,176.1	39,612.4
RWAs	5,668.2	11,668.5	24,863.5	5,976.1	3,932.9	52,109.2
No. of staff	1,821	1,417	577	12	862	4,689

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7. Wealth Management

Wealth Management (€m)	6 mths ended 31/12/17	6 mths ended 31/12/18	Chg. (%)
Net interest income	126.7	127.8	0.9%
Net treasury income	7.1	3.8	-46.5%
Net fee and commission income	121.7	140.6	15.5%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**255.5**	**272.2**	**6.5%**
Labour costs	(95.0)	(109.2)	14.9%
Administrative expenses	(105.6)	(105.9)	0.3%
Operating costs	**(200.6)**	**(215.1)**	**7.2%**
Gains (losses) on disposal of equity holdings	0.6	0.0	n.m.
Loan loss provisions (writebacks)	(8.5)	(6.6)	-22.4%
Provisions (writebacks) for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.2	n.m.
Profit before tax	**47.0**	**50.7**	**7.9%**
Income tax for the period	(10.8)	(13.4)	24.1%
Minority interest	0.0	(1.6)	n.m.
Net profit	**36.2**	**35.7**	**-1.4%**
Customer loans	9,871.8	10,725.7	8.6%
New loans	694.5	829.0	19.4%
Total Financial Assets (TFAs)	58,403.9	64,595.8	10.6%
-AUM/AUA	31,499.0	36,959.4	17.3%
- Assets under custody	8,935.5	6,659.2	-25.5%
-Direct funding	17,969.4	20,977.2	16.7%
No. of staff	1.821	1.897	4.2%
RWAs	5,668.2	5,696.5	0.5%
Cost/income ratio (%)	78.5	79.0	
Net bad loans (*sofferenze*)/loans ratio (%)	1.0	0.7	

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7.1 CheBanca! – Affluent/Premier

CheBanca! – Affluent/Premier (€m)	6 mths ended 31/12/17	6 mths ended 31/12/18	Chg. (%)
Net interest income	106.6	104.2	-2.3%
Net treasury income	0.3	0.4	33.3%
Net fee and commission income	36.8	41.6	13.0%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**143.7**	**146.2**	**1.7%**
Labour costs	(49.5)	(52.6)	6.3%
Administrative expenses	(65.0)	(62.9)	-3.2%
Operating costs	**(114.5)**	**(115.5)**	**0.9%**
Gains (losses) on disposal of equity holdings	0.0	(0.3)	n.m.
Loan loss provisions (writebacks)	(8.3)	(7.2)	-13.3%
Provisions (writebacks) for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**20.9**	**23.2**	**11.0%**
Income tax for the period	(5.0)	(7.3)	46.0%
Minority interest	0.0	0.0	n.m.
Net profit	**15.9**	**15.9**	**n.m.**
Customer loans	7,710.0	8,381.5	8.7%
New loans	694.5	829.0	19.4%
Total Financial Assets (TFAs)	20,644.4	23,325.6	13.0%
-AUM/AUA	7,566.0	8,911.3	17.8%
- Assets under custody	0.0	0.0	n.m.
-Direct funding	13,078.4	14,414.3	10.2%
No. of branches	109	110	0.9%
No. of staff	1,295	1,330	2.7%
RWAs	3,684.2	3,858.2	4.7%
Cost/income ratio (%)	79.7	79.0	
Net bad loans (*sofferenze*)/loans ratio (%)	1.3	0.8	

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7.2 Private Banking

Private Banking (€m)	6 mths ended 31/12/17	6 mths ended 31/12/18	Chg. (%)
Net interest income	20.1	23.6	17.4%
Net treasury income	6.8	3.4	-50.0%
Net fee and commission income	84.9	99.0	16.6%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**111.8**	**126.0**	**12.7%**
Labour costs	(45.5)	(56.6)	24.4%
Administrative expenses	(40.6)	(43.0)	5.9%
Operating costs	**(86.1)**	**(99.6)**	**15.7%**
Gains (losses) on disposal of equity holdings	0.6	0.3	-50.0%
Loan loss provisions (writebacks)	(0.2)	0.6	n.m.
Provisions (writebacks) for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.2	n.m.
Profit before tax	**26.1**	**27.5**	**5.4%**
Income tax for the period	(5.8)	(6.1)	5.2%
Minority interest	0.0	(1.6)	n.m.
Net profit	**20.3**	**19.8**	**-2.5%**
Customer loans	2,161.8	2,344.2	8.4%
Total Financial Assets (TFAs)	37,759.5	41,270.2	9.3%
-AUM/AUA	23,933.0	28,048.1	17.2%
- Assets under custody	8,935.5	6,659.2	-25.5%
-Direct funding	4,891.0	6,562.9	34.2%
No. of staff	526	567	7.8%
RWAs	1,984.0	1,838.3	-7.3%
Cost/income ratio (%)	77.0	79.0	
Net bad loans (*sofferenze*)/loans ratio (%)	0.0	0.2	

8. Consumer Banking

Consumer Banking (€m)	6 mths ended 31/12/17	6 mths ended 31/12/18	Chg. (%)
Net interest income	432.3	450.2	4.1%
Net treasury income	0.0	0.0	n.m.
Net fee and commission income	60.8	63.2	3.9%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**493.1**	**513.4**	**4.1%**
Labour costs	(47.4)	(48.6)	2.5%
Administrative expenses	(89.6)	(93.3)	4.1%
Operating costs	**(137.0)**	**(141.9)**	**3.6%**
Gains (losses) on disposal of equity holdings	0.0	0.0	n.m.
Loan loss provisions (writebacks)	(121.6)	(113.9)	-6.3%
Provisions (writebacks) for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**234.5**	**257.6**	**9.9%**
Income tax for the period	(75.0)	(83.2)	10.9%
Minority interest	0.0	0.0	n.m.
Net profit	**159.5**	**174.4**	**9.3%**
Customer loans	12,097.5	12,766.2	5.5%
New loans	3,346.3	3,492.8	4.4%
No. of branches	166	172	3.6%
No. of staff	1.417	1.432	1.1%
RWAs	11,668.5	12,041.1	3.2%
Cost/income ratio (%)	27.8	27.6	
Net bad loans (*sofferenze*)/loans ratio (%)	0.1	0.1	

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9. Corporate & Investment Banking

Corporate & Investment Banking (€m)	6 mths ended 31/12/17	6 mths ended 31/12/18	Chg. (%)
Net interest income	136.0	138.9	2.1%
Net treasury income	64.5	71.9	11.5%
Net fee and commission income	116.5	122.5	5.2%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**317.0**	**333.3**	**5.1%**
Labour costs	(66.7)	(66.7)	n.m.
Administrative expenses	(54.7)	(63.3)	15.7%
Operating costs	**(121.4)**	**(130.0)**	**7.1%**
Gains (losses) on disposal of equity holdings	0.0	0.9	n.m.
Loan loss provisions (writebacks)	21.9	14.3	-34.7%
Provisions (writebacks) for other financial assets	0.9	(0.1)	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**218.4**	**218.4**	**n.m.**
Income tax for the period	(72.3)	(72.3)	n.m.
Minority interest	0.0	0.0	n.m.
Net profit	**146.1**	**146.1**	**n.m.**
Customer loans	15,467.0	17,400.6	12.5%
No. of staff	577	571	-1.0%
RWAs	24,863.5	19,819.2	-20.3%
Cost/income ratio (%)	38.3	39.0	
Net bad loans (*sofferenze*)/loans ratio (%)	0.0	0.0	

9.1 Wholesale Banking

Wholesale banking (€m)	6 mths ended 31/12/17	6 mths ended 31/12/18	Chg. (%)
Net interest income	106.0	98.2	-7.4%
Net treasury income	64.6	71.8	11.1%
Net fee and commission income	90.0	95.0	5.6%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**260.6**	**265.0**	**1.7%**
Labour costs	(58.8)	(58.7)	-0.2%
Administrative expenses	(43.0)	(48.2)	12.1%
Operating costs	**(101.8)**	**(106.9)**	**5.0%**
Gains (losses) on disposal of equity holdings	0.0	0.9	n.m.
Loan loss provisions (writebacks)	36.5	30.6	-16.2%
Provisions (writebacks) for other financial assets	0.9	(0.3)	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**196.2**	**189.3**	**-3.5%**
Income tax for the period	(65.1)	(62.9)	-3.4%
Minority interest	0.0	0.0	n.m.
Net profit	**131.1**	**126.4**	**-3.6%**
Customer loans	13,438.3	14,809.8	10.2%
No. of staff	341	331	-2.9%
RWAs	22,817.0	17,167.6	-24.8%
Cost/income ratio (%)	39.1	40.3	
Net bad loans (*sofferenze*)/loans ratio (%)	0.0	0.0	

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8.2 Specialty Finance

Specialty Finance (€m)	6 mths ended 31/12/17	6 mths ended 31/12/18	Chg. (%)
Net interest income	30.0	40.7	35.7%
Net treasury income	(0.1)	0.1	n.m.
Net fee and commission income	26.5	27.5	3.8%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**56.4**	**68.3**	**21.1%**
Labour costs	(7.9)	(8.0)	1.3%
Administrative expenses	(11.7)	(15.1)	29.1%
Operating costs	**(19.6)**	**(23.1)**	**17.9%**
Gains (losses) on disposal of equity holdings	0.0	0.0	n.m.
Loan loss provisions (writebacks)	(14.6)	(16.3)	11.6%
Provisions (writebacks) for other financial assets	0.0	0.2	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**22.2**	**29.1**	**31.1%**
Income tax for the period	(7.2)	(9.4)	30.6%
Minority interest	0.0	0.0	n.m.
Net profit	**15.0**	**19.7**	**31.3%**
Customer loans	2,028.7	2,590.8	27.7%
di cui factoring	*1,761.0*	*2,245.3*	27.5%
di cui credit management	*267.7*	*345.5*	29.1%
No. of staff	236	240	1.7%
RWAs	2,046.5	2,651.6	29.6%
Cost/income ratio (%)	34.8	33.8	
Net bad loans (*sofferenze*), factoring/loans ratio (%)	0.0	0.0	

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10. Principal Investing

PI (€m)	6 mths ended 31/12/17	6 mths ended 31/12/18	Chg. (%)
Net interest income	(3.6)	(3.6)	n.m.
Net treasury income	6.5	9.0	38.5%
Net fee and commission income	0.0	0.0	n.m.
Equity-accounted companies	121.2	165.5	36.6%
Total income	**124.1**	**170.9**	**37.7%**
Labour costs	(1.8)	(2.0)	11.1%
Administrative expenses	(0.5)	(0.5)	n.m.
Operating costs	**(2.3)**	**(2.5)**	**8.7%**
Gains (losses) on disposal of equity holdings	93.8	(10.8)	n.m.
Loan loss provisions (writebacks)	0.0	0.0	n.m.
Provisions (writebacks) for other financial assets	(0.5)	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**215.1**	**157.6**	**-26.7%**
Income tax for the period	(10.1)	1.1	n.m.
Minority interest	0.0	0.0	n.m.
Net profit	**205.0**	**158.7**	**-22.6%**
Equity investments	3,185.7	3,056.5	-4.1%
Other investments	439.5	630.1	43.4%
RWAs	5,976.1	6,004.1	0.5%

11. Holding Functions

Holding Functions (€m)	6 mths ended 31/12/17	6 mths ended 31/12/18	Chg. (%)
Net interest income	(24.6)	(23.5)	4.5%
Net treasury income	4.9	12.3	n.m.
Net fee and commission income	8.6	4.6	-46.5%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**(11.1)**	**(6.6)**	**40.5%**
Labour costs	(60.1)	(55.7)	-7.3%
Administrative expenses	(20.8)	(25.6)	23.1%
Operating costs	**(80.9)**	**(81.3)**	**0.5%**
Gains (losses) on disposal of equity holdings	0.0	0.2	n.m.
Loan loss provisions (writebacks)	(4.9)	(3.3)	-32.7%
Provisions (writebacks) for other financial assets	(0.8)	(0.8)	n.m.
Other income (losses)	(10.5)	(11.3)	-7.6%
Profit before tax	**(108.2)**	**(103.1)**	**4.7%**
Income tax for the period	39.8	39.1	-1.8%
Minority interest	(1.8)	(1.8)	0.0%
Net profit	**(70.2)**	**(65.8)**	**6.3%**
Customer loans	2,176.1	2,043.7	-6.1%
Banking book securities	6,461.2	6,480.8	0.3%
RWAs	3,932.9	3,926.7	-0.2%
No. of staff	862	798	-7.4%

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12. Comprehensive income statement

		6 mths ended 31/12/17*	6 mths ended 31/12/18
10	**Profit (loss) for the period**	**478.1**	**453.0**
	Other income items net of tax without passing through profit and loss	**11.0**	**1.8**
20.	Equity instruments designated at fair value through other comprehensive income	-	2.0
30.	Financial liabilities designated at fair value through profit and loss (own creditworthiness changes)	-	-
40.	Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit schemes	(1.1)	0.1
80.	Non-current assets classified as held for sale	-	-
90.	Share of valuation reserves for equity-accounted investments	12.1	(0.3)
	Other income items net of tax passing through profit and loss	**(56.2)**	**(328.5)**
100.	Foreign investment hedges	-	-
110.	Exchange rate differences	(1.0)	2.1
120.	Cash flow hedges	34.3	(2.6)
130.	Hedging instruments (non-designated items)	-	-
140.	Financial assets (other than equity instruments) recognized at fair value through other comprehensive income	(115.8)	(16.9)[1]
150.	Non-current assets classified as held for sale	-	-
160.	Share of valuation reserves for equity-accounted investments	26.3	(311.1)
170.	**Total other income items net of tax**	**(45.2)**	**(326.7)**
180.	**Comprehensive income (Headings 10+170)**	**432.9**	**126.2**
190.	Minority interest in consolidated comprehensive income	2.1	2.8
200.	**Consolidated comprehensive income attributable to Mediobanca S.p.A.**	**430.8**	**123.4**

* The Group has availed itself of the right not to restate the comparative data for the first year of IFRS 9 adoption on a like-for-like basis. Accordingly, the figures for FY 2017-18, stated in accordance with IAS 39, are not fully comparable.

[1] This item contains the change to heading 100, "Financial assets available for sale", provided by Bank of Italy circular no. 262/05, fourth update.

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

Head of Company Financial Reporting

Emanuele Flappini

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