



# SPAFID CONNECT

Informazione Regolamentata n. 0187-14-2020	Data/Ora Ricezione 06 Febbraio 2020 11:48:45	MTA
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Societa' : MEDIOBANCA

Identificativo : 127418

Informazione  
Regolamentata

Nome utilizzatore : MEDIOBANCAN12 - Pigozzi

Tipologia : 1.2

Data/Ora Ricezione : 06 Febbraio 2020 11:48:45

Data/Ora Inizio : 06 Febbraio 2020 12:00:09

Diffusione presunta

Oggetto : Interim financial statements for six months  
ended 31/12/19 approved

*Testo del comunicato*

Vedi allegato.



MEDIOBANCA

**MEDIOBANCA**  
**BOARD OF DIRECTORS' MEETING**

**Milan, 6 February 2020**



## Interim financial statements for six months ended 31/12/19 approved

**Mediobanca continues its growth story  
with record levels of commercial activity:  
€2bn AUM/AUA net inflows, €1.6bn in last 3M,  
€5bn mortgage and consumer new loans**

**The Group has delivered growth<sup>1</sup>  
in assets: TFAs up 10% to €64bn, loans up 8% to €46bn  
revenues: up 4% to €1.3bn  
and net profit: up 4% to €468m**

**ROTE >10%**

**Mediobanca among the top ten banks in Europe  
measured by SREP and MREL requisites  
which are stably low and comfortably met**

### **6M highlights:**

- ◆ **Strong investment in distribution, in line with 2019-23 strategic plan guidance:** WM sales force now consists of approx. 1,000 professionals, with 70 added in 6M and 140 in 12M; Consumer Banking direct channels enhanced, totalling 206 branches/agencies, 7 opened in 6M and 14 in 12M; 41 Compass Quinto agencies launched.
- ◆ **Record levels of commercial activity, with material growth in revenue-generating assets:**
  - ◆ **Total Financial Assets (“TFAs”) up 10% YoY to €64bn, with Net New Money (“NNM”) in managed assets (“AUM/AUA”) of €1.9bn in 6M (€1.6bn of which in 2Q); MB now ranks as one of the fastest-growing operators in the Italian asset management market, in both the Affluent and Private Banking segments;**
  - ◆ **Customer loans up 8% YoY, to €46bn (up 3% QoQ), with record new business in consumer credit (€3.9bn, up 11% YoY, €2bn of which in 2Q) and residential mortgages (€1.3bn, up 58% YoY, €0.8bn of which in 2Q).**

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<sup>1</sup> Year-on-year = 31/12/19 vs 31/12/18.



- ◆ **Growth in revenues (up 4% YoY, to €1,325m), with:**
  - ◆ **Net interest income of €722m, up 3% YoY and up 1% QoQ**, on higher volumes, with margins resilient in consumer, cost of funding under control and liquidity levels optimized;
  - ◆ **Fees totalling €329m, up 5% YoY and up 12% QoQ**, driven by WM (€158m, up 12% YoY) and CIB Advisory (€65m, up 35%);
  - ◆ **Growth in GOP (to €625m, up 3% YoY)**, due to operating efficiency (**cost/income ratio ~45%**) and **cost of risk ("CoR") which reached all-time lows in 2Q** (<50 bps in 6M and <40 bps in 2Q, with NPLs down 7% QoQ);
  - ◆ **Net profit up 4% YoY to €468m, and ROTE >10%, with all business segments contributing:**
    - ◆ **WM: growth driver and top Group contributor to fees (50% of total in 2Q);** revenues up 10% YoY (to €299m), net fees up 12% YoY (to €158m), net profit up 35% YoY (to €48m), ROAC<sup>2</sup> up from 14% to 23%;
    - ◆ **Consumer Banking: leading contributor by revenues, net interest income and profitability;** revenues up 4% YoY (to €532m), net interest income up 5% YoY (to €474m), ROAC 30%, on €167m in profits;
    - ◆ **CIB and PI: high, profitable contributions** (CIB net profit €144m, ROAC 16%; PI net profit €187m, ROAC 13%).
  - ◆ **Capital and funding ratios stable at high levels:**
    - ◆ **CET1 stable at 14.1%<sup>3</sup>** and more than 550 bps above the regulatory minimum;
    - ◆ **MREL liabilities >40%** of RWAs (calculated as at 30/9/19), comfortably higher than the regulatory minimum.
  - ◆ **Mediobanca ranks as one of the top ten banks in Europe in terms of SREP and MREL requisites, which are stably low and comfortably met:**
    - ◆ **SREP CET1 requirement confirmed at 8.25%, with P2R stable at 1.25%** (making Mediobanca the second best bank in Italy and eighth of all banks in the ECB panel)
    - ◆ **MREL requirement confirmed at 21.6% of RWAs.**

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<sup>2</sup> ROAC: adjusted net profit/average allocated capital; allocated capital=9% RWA (for PI division: 9% RWA + capital deducted from CET1). Positive/negative one-offs items excluded; normalized tax rate = 33%, 25% for Private Banking.

<sup>3</sup> Calculated with Danish Compromise but without IFRS 9 effect (approx. 20 bps).



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 2019, as illustrated by Chief Executive Officer Alberto NAGEL.

## Consolidated results

**In the six months ended 31 December 2019, the Mediobanca Group delivered a net profit of €467.6m, up 3.8%** on the €450.5m posted last year, and **in line with the growth path outlined in the Group's 2019-23 strategic plan**. This result has been achieved by leveraging our diversified business model built on highly profitable, highly specialized and growing activities with low risk profile and high returns.

**Material investment in distribution** (WM sales force now approx. 1,000 professionals, up 7% in 6M and up 17% YoY, Consumer Banking direct channels enhanced, now totalling 206 branches and agencies, up 7% YoY) **and the strong capital position** (CET1 above 14%) **drove a significant increase in revenue-generating asset volumes** (customer loans up 8% YoY; TFAs up 10% YoY). **At the same time revenues and net profit also grew, both by 3.8%**, with both profitability and cost efficiency indicators remaining high (ROTE above 10%; cost/income ratio 44.6%).

**Consumer Banking remains the main driver in terms of revenues**, adding €531.7m (40.1% of the total) and **net profit** (€167.2m, 35.8%), **but Wealth Management posted the fastest growth during the six months** (revenues: up 9.8%; net profit: up 35%, ROAC up from 14% to 23%), on higher NNM, in AUM/AUA in particular, which took the division to the best levels seen on the Italian domestic Affluent/Private Banking market. **The other divisions also posted high profitability levels (CIB 16%, PI 13%).**

**Revenues** increased from €1,276.6m to €1,325.2m, with the main items performing as follows:

- ◆ **Net interest income rose by 3%**, from €700.6m to €721.5m, with increasing contributions from Wealth Management (up 8.1%) and Consumer Banking (up 5.3%), on higher volumes, which offset the 2% reduction in Corporate and Investment Banking, which is more exposed to the reduction in spreads; while the contribution from Holding Functions was stable;
- ◆ **Net fee and commission income rose by 5%**, from €312.9m to €328.5m, with Wealth Management in particular contributing €158m (up 12.4%). This result reflects the growth in both the Affluent and Private Banking segments, with fees earned in the former up 20.2% (from €41.6m to €50m), and in the latter up 29.9% (from €49.2m to €63.9m); fees generated from Corporate and Investment Banking activities were basically flat, at €121.9m, whereas Consumer Banking posted a slight reduction of 8.7%; the heading includes a modest amount of performance fees from funds and asset management totalling €12.3m (31/12/18; €1.2m) – confirming the high quality of the fees in this segment, some 90% of which are recurring – and also reflecting consolidation of Messier Maris et Associés, which added €23.5m and drove the increase in fees from advisory business, up 35% (from €47.9m to €64.6m);
- ◆ **Net profits earned by the equity-accounted companies rose by 11%**, from €165.5m to €183.7m, due to gains earned by Assicurazioni Generali in 1Q following asset disposals, partly offset by non-recurring costs in connection with the liabilities management operation booked in 2Q;



- ◆ **Net treasury income** totalled €91.5m, lower than the €97.6m posted at the same stage last year, due to lower amounts collected from funds as part of Principal Investing (€5.3m, compared with €9m); Capital Market Solutions activity with clients contributed €58.2m (€58.5m), whereas the proprietary portfolio (banking and trading books) added income of €27.2m (€23.2m), a clear improvement on 1Q.

**Operating costs** rose by 5.3%, from €561.6m to €591.1m, in particular labour costs which were up 7.5%, and reflect the commercial development in Wealth Management (with 36 new additions), plus the consolidation of Messier Maris et Associés (€15.4m); the growth in administrative expenses was lower, at 2.9%, despite the launch of Compass Quinto and the recruitment of 107 new FAs. The **cost/income ratio** remained below **45%**, one of the best levels in Europe.

Loan loss provisions were unchanged at €109.5m, which, given the increase in lending volumes, means that **the Group's cost of risk fell from 52 bps to 48 bps**. During the six months net writebacks of €30m were credited in Corporate and Investment Banking, chiefly due to the Sorgenia exposure returning to performing status in 2Q; while Consumer Banking reported provisioning of €128m, which translates to a cost of risk of 190 bps (185bps in last quarter), slightly higher than last year when the figures were €113.9m and 180 bps respectively (the lowest-ever figures reported by the division). **Equally, gross NPLs decreased in 2Q, from 4.3% of total loans to 3.9%, with a coverage ratio of 54%.**

The results for the period were impacted by net contributions to the Deposit Guarantee Scheme totalling €11.4m, slightly higher than last year (€11.2m), and a €4.7m fine handed out to Compass by the antitrust authority for allegedly improper commercial practices in the distribution of insurance products bundled with loans. Compass will appeal the fine with the regional court of Lazio, on the grounds that its conduct in relations with its clients has been entirely transparent and in line with the best market practice.

Turning to the balance-sheet data, **total financial assets grew during the period from €78.2bn to €82.5bn**, on a 4.2% increase in customer loans, and higher trading assets (up from €9.8bn to €12.5bn), matched by an equivalent rise in liabilities (from €8bn to €10.3bn). The main balance-sheet items performed as follows:

- ◆ **Loans and advances to customers grew by 4.2%**, from €44.4bn to €46.3bn, with all business segments contributing positively: Consumer Banking loans were up 3.6% (from €13.2bn to €13.7bn, €7.6bn of which in personal loans, and €2bn in salary-backed finance), with new loans of €3.9bn (up 11.2%), more than 50% of which personal loans. Wealth Management delivered an 11.2% increase in lending to €12.6bn, with growing contributions from CheBanca! mortgage lending (stock up 9% to €9.8bn, new loans up 58% to €1.3bn), and private banking loans (stock up 19.6% to €2.8bn, 58% of which attributable to CMB). CIB lending levels remained basically flat at €18bn, helped by Specialty Finance (up 21.5% to €2.7bn), with factoring up from €1.9bn to €2.4bn (six-month turnover from €3.3bn to €4.1bn);
- ◆ **NPLs were unchanged in relative terms, at 3.9% of total loans gross and 1.8% net,<sup>4</sup> with the coverage ratio at 53.9%** (54.8%); as a result of one exposures being reclassified to performing status as mentioned earlier, and the positive trend in the cost of risk industry-wide, the increase in NPLs reported in September 2019 due to adoption of the new definition of default had been recovered entirely by the reporting date; **net bad loans declined** to €76.2m (€79.8m), and **represent 0.17% of total loans** (30/6/19: 0.18%), with a coverage ratio of 79.7% (unchanged);

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<sup>4</sup> This item does not include NPLs acquired by MBCredit Solutions equal to €351.1m (€368.6m).



- ◆ **Total financial assets in Wealth Management (TFAs) rose from €61.4bn to €63.7bn, on €1.3bn in net new money (NNM).<sup>5</sup> AUM/AUA grew by 7% (from €39bn to €41.8bn), on NNM of €1.9bn, 60% of which from the Affluent segment and 40% from Private Banking;** direct funding decreased from €22.4bn to €21.9bn, primarily due to the reconversion of CheBanca! deposits. CheBanca! TFAs totalled €26.5bn, €14.5bn of which were deposits; whereas TFAs in Private Banking closed at €26bn, €18.5bn in AUM/AUA. The product factories managed a total of €21.4bn, including €10bn within the Group networks;
- ◆ **Funding increased from €51.4bn to €52.1bn,** the increases in debt security funding (from €18.5bn to €19.4bn, reflecting good diversification in terms of channels and products) and Private Banking deposits (stable at €7.4bn) offsetting lower retail deposits of €14.5bn (€15bn); **the cost of funding remained stable at 80 bps;**
- ◆ **Banking book securities remained stable at €6.8bn, while net treasury assets decreased** from €5.3bn to €3.9bn as a result of the **liquidity buffer optimization;**
- ◆ **The capital ratios remain at high levels and comfortably higher than the regulatory limits that have been set:**
  - ◆ Phase-in:<sup>6</sup> the Common Equity **Tier 1 ratio stands at 14.14%** (30/6/19: 14.09%) and the **Total Capital ratio at 17.14%** (17.46%): most of the retained earnings for the six months (equal to approx. 55 bps) were absorbed by the higher Assicurazioni Generali stake deduction (which accounted for 30 bps) and the organic growth (20 bps), concentrated mostly in Consumer Banking and CIB;
  - ◆ Fully loaded:<sup>7</sup> the ratios stand at 12.93% (CET1 ratio) and 16.15% (total capital ratio);
- ◆ **SREP 2020 requisites confirmed among the lowest in Europe:** on 25 November 2019, Mediobanca received the results of the supervisory review and evaluation process carried out by the ECB (the "SREP 2019 Decision"), which confirmed the quantitative parameters set the previous year: the authority has asked Mediobanca to maintain a **CET1 ratio of 8.25% on to consolidated basis (Total SREP Capital Requirement - "TSCR" - 11.75%), which includes a Pillar 2 Requirement ("P2R") of 1.25%, among the lowest in Europe;**
- ◆ **MREL 2020 requisites confirmed and comfortably met:** at the start of 2020, the Bank of Italy, at the proposal of the Single Resolution Board ("SRB"), updated the Group's MREL limit, i.e. the amount of its own funds and eligible liabilities that can be converted to equity as part of the bail-in; this has been **set at 13.13% of total liabilities and own funds ("TLOF") and at 21.60% of RWAs.** The figures, which amount to approx. €9.5bn, are virtually unchanged from last year. Starting from 2020, Mediobanca, like the other non-systemic banks subject to supervision, is subject to a **subordination requirement** of 10.05% of TLOF, or 16.53% of RWAs (**14.33% net of the senior allowance**, which is 2.2%) which is comfortably met by the existing capital and subordinated liabilities.

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<sup>5</sup> Growth in TFAs also reflects a positive market effect of approx. €1bn.

<sup>6</sup> Calculated by weighting the Assicurazioni Generali investment at 370%, and including the profit for the six months minus the estimated dividend (calculated pro rata in line with the 2020 proposal of €0.52 per share)

<sup>7</sup> Calculated without the Danish Compromise, that is, with the Assicurazioni Generali investment deducted in full (accounting for 105 bps) and with the IFRS 9 effect also fully applied (accounting for 16 bps).



## Divisional results

**1. Wealth Management:**<sup>8</sup> **material growth in size** (TFAs €64bn, up 10%, **66% of which now AUM/AUA**), **revenues** (approx. €300m, up 10%) and **profitability** (ROAC up from 14% to 23%).<sup>9</sup> With **€1.9bn of NNM in AUM/AUA in 6M (€1.6 of which in 1Q)**, **Mediobanca WM has confirmed its position as one of the best Italian performers in the sector, as well as the Mediobanca Group's main source of fee income** (50% of the total in 2Q).

In a favourable market scenario, which mitigated the impact of the stricter regulations (MiFID II and the Insurance Distribution Directive), the Wealth Management division delivered a clear improvement in results:

- ◆ In the Affluent segment, **CheBanca!** performed near the best sector levels in terms of net new money in asset management, with approx. **€1.4bn gathered (€0.8bn of which in 2Q)**, well balanced between the proprietary network and the FAs, reaching **a market share of 10%**.<sup>10</sup> In 6M CheBanca! further **enlarged its distribution, increasing its sales force to 850 professionals (up 20% YoY)**, with 60 FAs recruited in 6M (who now total 395) and eight Relationship Managers (now 453 overall). **The product offering was also enhanced further**, with the dedicated placement of the Mediobanca Active Allocation fund (which raised a total of €185m in two months), plus the introduction of three new Mediobanca Global Multimanager funds of funds, which together have raised €50m since the start of the financial year. The range of pension products offered has been completed with the co-operation of leading sector operators Amundi and Anima SGR. In line with the bank's increasing commitment to sustainability issues, November also saw the launch of "green" mortgages.<sup>11</sup>
- ◆ **Mediobanca Private Banking performed impressively, continuing to grow AUM/AUA** (NNM of approx. €0.9bn), and consolidating market share (**which now has reached approx. 9%**).<sup>12</sup> During the six months the division consolidated **its leadership position in alternative investment solutions** with the placement of Mediobanca Private Markets II, the second edition of its private markets fund, and Milan Trophy Re Fund I, its first real estate fund involving prestigious properties in Milan. The careful selection process to recruit highly-qualified professionals continued, to ensure that the sales force remains focused on its target UHNWI and HNWI clients, and promote cross-selling and co-operation with investment banking activities (around ten such mandates have been signed or executed in 6M).
- ◆ **The product factories have also been actively committed in reinforcing synergies with distribution through products** which are increasing tailored to meet the needs of different client segments: Cairn, as well as launching a new CLO, launched its first product aimed at retail clients (Strata UCITS), recognized by Mercer Insight as one of the best multi asset credit funds launched in 2019.

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<sup>8</sup> Includes the Affluent & Premier segment (CheBanca!), Private Banking (MBPB, CMB), Asset Management (MB SGR and MB Management Company, Cairn Capital, RAM AI), plus Spafid.

<sup>9</sup> Including the €1.4bn reduction in RWAs as a result of adopting the AIRB models for mortgages, effective since 2019.

<sup>10</sup> Reference market: Assoreti.

<sup>11</sup> I.e. the offering of loans to acquire energy class A and B properties.

<sup>12</sup> Reference market: Associazione Italiana Private Banking.





As for the balance-sheet data:

- ◆ **Loans and advances to customers were up 11.2%**, from €11.4bn to €12.6bn, with the mortgage loan component equal to €9.8bn (up 9% on the €9bn reported at end-June 2019), on new loans of €1.3bn, **a new record** (up 58.3% YoY); Private Banking contributed €2.8bn (up 19.6%, from €2.4bn). Gross NPLs<sup>13</sup> remain at very low levels in relative terms, representing just 1.6% of total loans (compared with 1.7% at the balance-sheet date); NPLs account for less than 1% of total loans, with a coverage ratio of 46.3% (44.3%); while net bad loans total €42.3m (0.3% of total loans), with a coverage ratio of 61.8%;
- ◆ **Total financial assets managed on behalf of clients (TFAs) amount to €63.7bn, up 4% in 6M and up 10% YoY; the AUM/AUA component in particular rose to €41.8bn (66% of TFAs), up 7% in 6M and 13.1% YoY.** Of the TFAs, €26.5bn are in the Affluent segment and €26bn in Private Banking, plus €21.4bn in the product factories, €10bn of which within the Group's distribution networks;
- ◆ **NNM includes €1.9bn in AUM/AUA inflows:** there were positive contributions from both the Affluent and Private Banking segments, with NNM of €2.3bn for the six months, against outflows of €0.4bn in asset management. Asset management reflects the decline in the institutional component at RAM (down €506m, consistent with the sector trend) and Mediobanca SGR (down €416m, as a result of the process of repositioning towards profitable clients) in part offset by the growth posted by Cairn (€528m, €418m of which in relation to the new CLO XI); the **intense activity with the Group network** is also worth noting, with €1.4bn more funds placed in the last six months. The cash outflows were primarily linked to the deposits being converted into AUM/AUA, and totalled €0.6bn for the six months (€572m in the Affluent segment and €40m in Private Banking).

## **The buoyant commercial performance translated to growth in revenues, net profit and the ROAC posted by the division:**

- ◆ **Revenues climbed 9.8% to reach almost €300m** (from €272.2m to €298.9m), with net interest income up 8.1% (from €127.8m to €138.1m), and fees up 12.4% (from €140.6m to €158m). **WM is now the leading contributor to Group fee income, and stands out for the quality and sustainability of its fees:** The recurring fee component increased from €130.5m to €141.6m (approx.. 90% of the total), together with the upfront fees generated from the placement of products (up 52%, from €11.9m to €18m); performance fees remained low, albeit higher than last year, at €12.3m (€1.2m);
- ◆ **The cost/income ratio improved from 79% to 75.2%**, after a modest increase in operating costs which were up 4.5% (from €215.1m to €224.7m);
- ◆ **Net profit was up 35% and the ROAC for the division was 23%** (30/6/19: 16%; 31/12/18: 14%).

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<sup>13</sup> Adoption of the new definition of default as provided by the EBA Guidelines, applied for the first time from 30 September 2019, did not entail any significant changes. The effect of the new definition of default may be quantified at approx. €3.6m.



## **2. Consumer Banking. Profitable growth continues, with record new loans in 2Q (€2bn). The division is the Group's leading contributor to revenues (€532m, up 4%, 40% of total income), net interest income (€474m, up 5%, two-thirds of total), and profitability (ROAC 30%).**

In an Italian consumer credit market which continues to grow (new loans were up almost 6% in 2019), helped by the intermediaries' substantial liquidity and by the low interest rates, Compass has delivered above-average growth rates, enabled by the investments it has made in its direct distribution channel and ongoing coverage of the indirect channel. In line with the guidance issued as part of the 2019-23 strategic plan:

- ◆ Compass has strengthened its geographical coverage nationwide, with **seven new Compass-branded agencies opened**, bringing the total number to 34, alongside the **172 branch offices** (unchanged since 30 June 2019), with a direct distribution network of 905 professionals (31/12/18: 908);
- ◆ **Growth in the internet channel has continued**, which, two years from launch, recorded volumes of €172m in 6M, up 41% on last year, and accounting for **16%** the personal loans generated through the direct channel;
- ◆ **The Compass Quinto project was launched during the six months**, with the objective of setting up a network of agencies specializing in salary-backed finance products marketed under the Compass brand: in July the **rebranding** of the Equilon agencies commenced (involving a total of 41 agencies throughout Italy) and in November the TV advertising campaign for the project was launched;
- ◆ **Growth in special purpose loans also continued**, the main channel by which new clients are acquired, **through the development of new partnerships with large-scale distribution** (telephony and electronics in particular) and the signing of **agreements managed locally by the network**.

**New loans thus grew by 11% in 6M (8% in the 2019 calendar year), posting a record of €2bn in 4Q (€3.9bn in 6M);** special purpose loans were up 20% YoY, personal loans up 10% (direct channel up 14%), salary-backed finance up 3%. As at end-December 2019 Compass's market share had consolidated at 11.7%.

Net loans totalled €13.7bn, up 3.6% **in 6M and up 7.3% YoY**, with all products growing consistently. Some 55% of flows financed consist of personal loans, while the loan stock in salary-backed finance was slightly over €2bn.

### **Asset quality was confirmed at high levels:**

- ◆ Net NPLs rose from €189m to €295.3m (2.2% of total loans) almost exclusively due to application of the new definition of default<sup>14</sup> which drove an increase in gross NPLs of approx. €160m, without, however, the need for any additional provisions to be made as the positions themselves were already covered; the coverage ratio is 66.9%(74.4%);
- ◆ Net bad debts totalled €14.8m, and represent 0.1% of total loans (unchanged), with a coverage ratio of 93.4% (94.3%). NPLs worth a total of €120m were disposed of externally to the Group during the six months under review (compared with €114.1m last year);

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<sup>14</sup> Under the new definition of default applied as from 30 September 2019, gross loans with fewer than three instalments in arrears have been reclassified from performing (stage 2) to non-performing status.



- ◆ The coverage ratio for performing loans decreased slightly, from 3% to 2.7%, after certain lower-quality assets (i.e. those with the highest coverage) were reclassified as non-performing as a result of the new definition of default.

## The division's earnings results were again excellent and sustainable.

Compass delivered **a net profit of €167.2m** in the six months, after revenues of €531.7m (up 3.6%), with the **cost/income ratio virtually unchanged at 28.1%** and a structural increase in the cost of risk (to 190 bps) from the all-time low recorded last year (180 bps). The **ROAC for the division was 30%**. The main income sources performed as follows in the six months:

- ◆ Net interest income rose by 5.3%, from €450.2m to €474m, in line with the trend in volumes;
- ◆ Net fee income decreased, from €63.2m to €57.7m, reflecting the less favourable performance in fees from placement and management of insurance policies which totalled €32.4m (€38m);
- ◆ Operating costs were up 5.4%, from €141.9m to €149.6m, due to strengthening of the distribution network, the launch of several business projects (marketing, communications and IT investments), and higher credit recovery expenses (which rose from €26.6m to €29m) in order to protect the cost of risk;
- ◆ Loan loss provisions rose by 12.4%, from €113.9m to €128m, reflecting an annual cost of risk of 190 bps, slightly higher than last year (185 bps) and the all-time low recorded during that year (180 bps);
- ◆ Non-recurring expenses totalled €4.7m, and refer to the fine handed down by the antitrust authorities mentioned above.

### **3. Corporate & Investment Banking: despite the challenging scenario, CIB confirmed its performance in terms of revenues (€332m), net profit (€144m) and ROAC (16%). Mediobanca's leadership position in its domestic Italian market is unchanged, with a growing presence in the financial sponsors, mid corporate and capital market segments.**

The European investment banking market remains challenging: the CIB division's principal reference markets (i.e. Italy, Spain and France) saw a reduction of over 30% in M&A transactions, ECM deals with less than half the value seen before 2018, and the Italian syndicated debt market shrinking by 60% due to the lack of acquisition finance deals.

Despite the difficult scenario, the **CIB division confirmed its position as domestic market leader**, with senior roles in the majority of the most important M&A deals in Italy and cross-border. The division is also developing **a growing presence in the financial sponsors, mid corporate and capital market segments in its reference markets**. Revenues were stable, at €331.5m (€333.3m), due to the diversification of the business models:

- ◆ **Increase of over one-third in revenues from Advisory business** (from €47.9m to €64.6m), factoring in the addition of Messier Maris et Associés (which contributed €23.5m), with which an integration process has been launched to cover the whole range of CIB products;
- ◆ **Capital Markets stable** (at approx. €85m);
- ◆ **Lending down 12% YoY**, from €112m to €98m in corporate lending, and from €68m to €60m in specialty finance), due to narrowing margins and **selective approach to lending**



which gives priority to counterparties of high standing. Customer loans were virtually unchanged during the six months at €18bn (€17.9bn) split between large corporate (€15.3bn), factoring (€2.4bn), and non-recourse NPL purchases (€351.1m). Compared to the situation at end-June 2019, the contribution from large corporate loans was down €258.6m, following repayments of €3.5bn, virtually double last year (€1.3bn of which early repayments), on new loans totalling €3.1bn. Factoring posted turnover of €4.1bn, up 23.8% on the €3.3bn reported last year, increasing the stock for the six months by 23.4%; in contrast, NPL purchases were very low at €12.2m (with a nominal value of €0.1bn), as reflected in the stock reducing by 4.7%.

**Asset quality remains at high levels: gross NPLs were down 18%** (from €671.7m to €551.9m)<sup>15</sup> due to movements in the large corporate portfolio: the Sorgenia exposure, with gross book value of €108m, returned to performing status, while a smaller position of approx. €20m was classified as non-performing; **gross NPLs now account for 3.1% of total loans** (compared with 3.8%); **meanwhile, net NPLs were down in absolute terms** (down 18%, from €394.7m to €322.1m<sup>16</sup>) and **in relative terms, to 1.8% of total loans (2.3%)**; the coverage ratio was higher at 41.6% (41.2%).

**The trends described above are reflected in the division's earnings performance, with net profit and ROAC stable (the former at €144.1m,<sup>17</sup> the latter at 16%).** Messier Maris et Associés contributed revenues of €23.5m and costs of €15.4m, €12m of which in labour costs. The main income items performed as follows:

- ◆ Net interest income declined slightly, by 2% (from €138.9m to €136.1m), due to the lower returns on corporate lendings, and the selective approach to volumes as illustrated above;
- ◆ Net trading income was up from €71.9m to €73.5m, with client trading flat at €58.2m (€58.5m), and the contribution from proprietary trading recovering from 1Q;
- ◆ Fees were basically unchanged at €121.9m, despite significant growth in the advisory platform (cf. above), due to the lower flows from lending and specialty finance business (due to lower revenues from the acquired NPLs portfolio);
- ◆ Operating costs increased from €130m to €143.7m, reflecting the addition of Messier Maris et Associés plus higher costs in connection with management of collections on the NPL portfolios (where costs rose from €15.1m to €18.3m);
- ◆ Financial assets (loans and banking book securities) reflect net writebacks totalling €29.7m, virtually double the amount credited last year (€15.1m), due to the Sorgenia exposure being reclassified as performing (with a positive impact of over €40m).

#### **4. Principal Investing: positive contribution to Group net profit confirmed (PI net profit €187m) and high ROAC (13%).**

Principal investing delivered a net profit for the six months up from €158.7m last year to €186.9m, on value adjustments deriving from use of the equity method totalling €183.7m (€165.5m), dividends and other income collected from equities and funds totalling €5.3m

<sup>15</sup> The new definition of default has been applied starting from 30 September 2019. The large corporate loan book was unaffected, hence the quality of the assets is confirmed.

<sup>16</sup> NPLs here do not include the non-performing accounts acquired by MBCredit Solutions as part of its business, which decreased from €368.6m to €351.1m, concentrated in the retail unsecured segment (over 83%).

<sup>17</sup> The various divisions' contributions to the total break down as follows: WSB €127.9m; MMA €3.7m; MBCredit Solutions €6.2m; and MBFacta €10m.



(€9m), and value adjustments to holdings in funds<sup>18</sup> adding €8.3m (compared to minus €10.8m last year).

The book value of the Assicurazioni Generali investment increased from €3,219.3m to €3,789.9m, on net profit of €183.3m, increases in the valuation reserves (€409.9m), against reductions posted by the other reserves (€22.8m).

As for banking book securities, positions held in funds decreased from €520.4m to €495.4m, on net disinvestments totalling €33.2m, €22.6m of which in seed capital, and €8.3m in upward value adjustments at the period-end; holdings in equities increased from €136.3m to €150.2m, due fair value being higher at end-December 2019.

## 5. **Holding functions: liquidity level optimization process continues, as well as funding structure diversification to reduce cost of funding (to 80 bps) and leasing activities reshaping.**

The loss posted by Holding Functions at the gross operating level increased from €103.1m to €107.1m, due to higher net interest expense of €30.7m (€23.5m), with trading income flat at €12.1m, and fees up slightly (from €4.6m to €7.2m). Operating costs were basically unchanged at €80m (€81.3m), with central costs contributing just over 9%; contributions to the Deposit Guarantee Scheme amounted to €11.4m, basically unchanged since last year (€11.2m). The increase in the net loss posted, from €65.8m to €76.5m, is explained also by the higher taxation paid this year.

The various segments performed as follows:

- ◆ Group Treasury and ALM delivered a net loss of €34.7m, higher than the loss posted last year (€31.8m), due to an increase in net interest expense (from €43m to €49.6m) which **reflects the effect of the reduction in interest rates** on the banking book securities portfolio and the **liquidity position – despite the optimization measures** implemented in 2Q – only in part offset by lower costs and fees payable; during the six months **the process of transforming funding into diversified forms continued in order to keep the cost of funding down** (compared to last year it **reduced from 90 bps to 80 bps**); six bond issues were made during the period, including a securitization of consumer credit receivables and a covered bond, while many of the secured financing transactions falling due were replaced, and the duration of the bank debt was extended further;
- ◆ Leasing delivered a lower net profit than last year, down from €2.6m to €1.9m, on a 6.6% reduction in revenues (from €21.3m to €19.9m), only in part offset by the reduction in overheads to €11m (€12.4m), plus one-off provisions of €0.5m; loan loss provisions totalled €3.8m, slightly higher than last year (€3.3m). Amounts leased to customers reduced from €1,951.6m to €1,883.1m, with new business down to €165m (€239m). Gross NPLs rose from €174.3m to €181.1m, and represent 9.3% (8.6%) of total leases;<sup>19</sup> similarly, net NPLs rose by 4.3%, to €116.6 (€111.8m), and account for 6.2% (5.7%) of total leases. Net bad loans totalled €19m (€24.1m), and represent 1% (1.2%) of total leases, with a coverage ratio of 51% (46.8%).

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<sup>18</sup> Under IFRS 9, changes in fair value for the period are taken through profit and loss.

<sup>19</sup> Application of the new definition of default as from 30 September 2019 has meant that accounts worth approx. €8m have been reclassified from performing to non-performing status.



MEDIOBANCA

## Mediobanca S.p.A.

Mediobanca S.p.A. delivered a net profit of €70.4m for the six months, up sharply on the €50.6m reported last year, after higher net writebacks were credited in respect of the loan book totalling €48.7m (€27.4m), mostly in connection with the Sorgenia exposure returning to performing status. Total income was basically unchanged (down 1.8%, from €264.7m to €260.1m) against a more substantial reduction in operating costs, of 3.2% (from €205.9m to €199.6m). The main income items performed as follows:

- ◆ Net interest income decreased by 3.2%, from €48.2m to €46.7m, reflecting the lower returns on corporate loans and the banking book securities, with volumes virtually unchanged;
- ◆ Net treasury income decreased from €92.2m to €89.7m, with the contribution from CMS client business virtually stable at €58.2m, and that of the proprietary portfolio (trading and banking books) up slightly at €26.2m (€23.3m), offsetting the lower dividends and other income from funds of €5.3m (€8.9m);
- ◆ Net fee and commission income declined from €124.4m to €120.8m, with a substantial contribution from Private Banking (up from €24.7m to €37m, only €5.1m of which in performance fees) which, however, was more than offset by the downturn in investment banking activity, generating fees of €92.6m (€73m).

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With reference to the share buyback scheme 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, notice is hereby given that as at **31 December 2019 Mediobanca owned 18.9 million treasury shares (or 2.1% of its share capital)**, after 5.3 million shares were bought during the six months and 1.7 million shares used in connection with the performance share scheme.

Milan, 6 February 2020

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## 1. Restated consolidated profit and loss accounts

Mediobanca Group (€m)	6 mths		Chg. %
	31/12/18	31/12/19	
Net interest income	700.6	721.5	3.0%
Net treasury income	97.6	91.5	-6.3%
Net fee and commission income	312.9	328.5	5.0%
Equity-accounted companies	165.5	183.7	11.0%
<b>Total income</b>	<b>1,276.6</b>	<b>1,325.2</b>	<b>3.8%</b>
Labour costs	(282.2)	(303.5)	7.5%
Administrative expenses	(279.4)	(287.6)	2.9%
<b>Operating costs</b>	<b>(561.6)</b>	<b>(591.1)</b>	<b>5.3%</b>
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(109.5)	(109.5)	n.m.
Provisions for other financial assets	(10.9)	8.7	n.m.
Other income (losses)	(11.1)	(15.8)	42.3%
<b>Profit before tax</b>	<b>583.5</b>	<b>617.5</b>	<b>5.8%</b>
Income tax for the period	(129.6)	(146.1)	12.7%
Minority interest	(3.4)	(3.8)	11.8%
<b>Net profit</b>	<b>450.5</b>	<b>467.6</b>	<b>3.8%</b>

## 2. Quarterly profit and loss accounts

Mediobanca Group (€m)	FY 18/19				FY 19/20	
	I Q	II Q	III Q	IV Q	I Q	II Q
	30/09/18	31/12/18	31/03/19	30/06/19	30/09/19	31/12/19
Net interest income	344.1	356.5	346.4	348.6	359.1	362.4
Net treasury income	40.8	56.8	52.9	46.2	34.7	56.8
Net commission income	155.1	157.8	148.6	149.7	154.9	173.6
Equity-accounted companies	97.7	67.8	59.3	96.4	135.5	48.2
<b>Total income</b>	<b>637.7</b>	<b>638.9</b>	<b>607.2</b>	<b>640.9</b>	<b>684.2</b>	<b>641.0</b>
Labour costs	(137.9)	(144.3)	(145.4)	(154.1)	(144.5)	(159.0)
Administrative expenses	(133.5)	(145.9)	(145.8)	(155.0)	(138.1)	(149.5)
<b>Operating costs</b>	<b>(271.4)</b>	<b>(290.2)</b>	<b>(291.2)</b>	<b>(309.1)</b>	<b>(282.6)</b>	<b>(308.5)</b>
Gains (losses) on disposal of equity holdings	—	—	—	—	—	—
Loan loss provisions	(58.8)	(50.7)	(51.9)	(61.2)	(65.1)	(44.4)
Provisions for other fin. assets	4.1	(15.0)	4.9	3.9	3.9	4.8
Other income (losses)	—	(11.1)	(26.1)	(16.8)	0.2	(16.0)
<b>Profit before tax</b>	<b>311.6</b>	<b>271.9</b>	<b>242.9</b>	<b>257.7</b>	<b>340.6</b>	<b>276.9</b>
Income tax for the period	(64.4)	(65.2)	(66.3)	(60.6)	(67.8)	(78.3)
Minority interest	(1.8)	(1.6)	(1.1)	(0.1)	(2.2)	(1.6)
<b>Net profit</b>	<b>245.4</b>	<b>205.1</b>	<b>175.5</b>	<b>197.0</b>	<b>270.6</b>	<b>197.0</b>



**3. Restated balance sheet**

Mediobanca Group (€m)	31/12/18	30/06/19	31/12/19
<b>Assets</b>			
Financial assets held for trading	9,315.4	9,765.7	12,526.8
Treasury financial assets	10,220.8	10,170.2	9,089.3
Banking book securities	7,697.5	6,695.9	6,774.9
Customer loans	42,936.2	44,393.7	46,250.4
<i>Corporate</i>	14,809.8	15,560.8	15,302.2
<i>Specialty Finance</i>	2,590.8	2,304.5	2,739.2
<i>Consumer credit</i>	12,766.2	13,223.0	13,698.4
<i>Mortgages</i>	8,381.5	9,001.9	9,814.2
<i>Private banking</i>	2,344.2	2,351.9	2,813.3
<i>Leasing</i>	2,043.7	1,951.6	1,883.1
Equity investments	3,737.1	3,980.3	4,608.4
Tangible and intangible assets	1,024.8	1,187.6	1,405.8
Other assets	1,599.3	2,051.3	1,803.5
<b>Total assets</b>	<b>76,531.1</b>	<b>78,244.7</b>	<b>82,459.1</b>
<b>Liabilities</b>			
Funding	50,752.4	51,393.2	52,093.5
<i>MB bonds</i>	19,240.0	18,531.3	19,361.7
<i>Retail deposits</i>	14,414.3	15,032.0	14,459.6
<i>Private Banking deposits</i>	6,785.9	7,417.6	7,445.6
<i>ECB</i>	4,328.8	4,322.4	4,311.4
<i>Banks and other</i>	5,983.4	6,089.9	6,515.2
Treasury financial liabilities	6,541.3	6,565.6	7,429.2
Financial liabilities held for trading	8,087.7	8,027.8	10,331.1
Other liabilities	1,643.0	2,168.9	2,097.2
Provisions	212.6	190.3	166.0
Net equity	9,294.1	9,898.9	10,342.1
<i>Minority interest</i>	89.2	89.7	91.7
<i>Profit for the period</i>	450.5	823.0	467.6
<b>Total liabilities</b>	<b>76,531.1</b>	<b>78,244.7</b>	<b>82,459.1</b>
CET 1 capital	6,586.6	6,524.4	6,660.5
Total capital	8,268.8	8,085.6	8,072.8
RWA	47,487.6	46,309.9	47,089.2

**4. Consolidated shareholders' equity**

Net equity (€m)	31/12/18	30/06/19	31/12/19
Share capital	443.5	443.6	443.6
Other reserves	7,892.7	7,945.1	8,293.6
Valuation reserves	418.2	597.5	1,045.6
- of which: Other Comprehensive Income	84.3	84.6	103.7
cash flow hedge	(15.4)	(41.2)	(20.2)
equity investments	352.4	560.6	964.8
Minority interest	89.2	89.7	91.7
Profit for the period	450.5	823.0	467.6
<b>Total Group net equity</b>	<b>9,294.1</b>	<b>9,898.9</b>	<b>10,342.1</b>





5. Ratios (%) and per share data (€)

MB Group	Financial year 18/19				Financial year 19/20	
	September 3m	December 6m	March 9m	June 12m	September 3m	December 6m
<b>Ratios (%)</b>						
Total assets / Net equity	8.1	8.2	8.3	7.9	8.3	8.0
Loans / Funding	0.85	0.85	0.83	0.86	0.86	0.89
RWA density (%)	63.4	62.1	59.3	59.2	56.1	57.1
CET1 ratio	14.2	13.9	14.3	14.1%	14.2%	14.1
Total capital	17.9	17.4	17.8	17.5%	17.4%	17.1
S&P Rating	BBB	BBB	BBB	BBB	BBB	BBB
Fitch Rating	BBB	BBB	BBB	BBB	BBB	BBB
Moody's Rating	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1
Cost / Income	42.6	44.0	45.3	46.0	41.3	44.6
Bad Loans (sofferenze)/Loans ratio (%)	0.3	0.3	0.3	0.2	0.2	0.2
EPS	0.28	0.51	0.71	0.93	0.31	0.53
EPS adj.	0.27	0.52	0.74	0.97	0.25	0.52
BVPS	10.2	10.1	10.2	10.6	10.9	11.3
TBVPS	9.4	9.3	9.3	9.6	9.9	10.3
ROTE adj. (%)				10.2		
DPS				0.47		
No. shares (m)	887.0	887.0	887.2	887.2	887.2	887.2

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

6m – December 19 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	138.1	474.0	136.1	(3.5)	(30.7)	721.5
Net treasury income	2.8	—	73.5	5.3	12.1	91.5
Net fee and commission income	158.0	57.7	121.9	—	7.2	328.5
Equity-accounted companies	—	—	—	183.7	—	183.7
<b>Total income</b>	<b>298.9</b>	<b>531.7</b>	<b>331.5</b>	<b>185.5</b>	<b>(11.4)</b>	<b>1,325.2</b>
Labour costs	(118.4)	(50.0)	(75.6)	(1.7)	(57.7)	(303.5)
Administrative expenses	(106.3)	(99.6)	(68.1)	(0.5)	(22.3)	(287.6)
<b>Operating costs</b>	<b>(224.7)</b>	<b>(149.6)</b>	<b>(143.7)</b>	<b>(2.2)</b>	<b>(80.0)</b>	<b>(591.1)</b>
Gains (losses) on disposal of equity holdings	—	—	—	—	—	—
Loan loss provisions	(7.7)	(128.0)	30.0	—	(3.8)	(109.5)
Provisions for other financial assets	0.6	—	(0.3)	8.3	(0.1)	8.7
Other income (losses)	1.8	(4.7)	—	—	(11.8)	(15.8)
<b>Profit before tax</b>	<b>68.9</b>	<b>249.4</b>	<b>217.5</b>	<b>191.6</b>	<b>(107.1)</b>	<b>617.5</b>
Income tax for the period	(20.0)	(82.2)	(71.5)	(4.7)	31.9	(146.1)
Minority interest	(0.7)	—	(1.9)	—	(1.3)	(3.8)
<b>Net profit</b>	<b>48.2</b>	<b>167.2</b>	<b>144.1</b>	<b>186.9</b>	<b>(76.5)</b>	<b>467.6</b>
Loans and advances to Customers	12,627.5	13,698.4	18,041.4	—	1,883.1	46,250.4
RWAs	4,692.2	12,936.9	20,332.7	5,746.3	3,381.1	47,089.2
No. of staff	1,963	1,432	633	11	807	4,846



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

6m – December 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
<b>Total income</b>	<b>272.2</b>	<b>513.4</b>	<b>333.3</b>	<b>170.9</b>	<b>(6.6)</b>	<b>1,276.6</b>
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)
<b>Operating costs</b>	<b>(215.1)</b>	<b>(141.9)</b>	<b>(130.0)</b>	<b>(2.5)</b>	<b>(81.3)</b>	<b>(561.6)</b>
Gains (losses) on disposal of equity holdings	—	—	—	—	—	—
Loan loss provisions	(6.6)	(113.9)	14.3	—	(3.3)	(109.5)
Provisions for other financial assets	—	—	0.8	(10.8)	(0.6)	(10.9)
Other income (losses)	0.2	—	—	—	(11.3)	(11.1)
<b>Profit before tax</b>	<b>50.7</b>	<b>257.6</b>	<b>218.4</b>	<b>157.6</b>	<b>(103.1)</b>	<b>583.5</b>
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)
<b>Net profit</b>	<b>35.7</b>	<b>174.4</b>	<b>146.1</b>	<b>158.7</b>	<b>(65.8)</b>	<b>450.5</b>
Loans and advances to Customers	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



## 7. Wealth Management

Wealth Management (€m)	6 mths	6 mths	Chg.%
	31/12/18	31/12/19	
Net interest income	127.8	138.1	8.1%
Net trading income	3.8	2.8	-26.3%
Net fee and commission income	140.6	158.0	12.4%
Equity-accounted companies	—	—	n.m.
<b>Total income</b>	<b>272.2</b>	<b>298.9</b>	<b>9.8%</b>
Labour costs	(109.2)	(118.4)	8.4%
Administrative expenses	(105.9)	(106.3)	0.4%
<b>Operating costs</b>	<b>(215.1)</b>	<b>(224.7)</b>	<b>4.5%</b>
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(6.6)	(7.7)	16.7%
Provisions for other financial assets	—	0.6	n.m.
Other income (losses)	0.2	1.8	800.0%
<b>Profit before tax</b>	<b>50.7</b>	<b>68.9</b>	<b>35.9%</b>
Income tax for the period	(13.4)	(20.0)	49.3%
Minority interest	(1.6)	(0.7)	-56.3%
<b>Net profit</b>	<b>35.7</b>	<b>48.2</b>	<b>35.0%</b>
Loans and advances to customers	10,725.7	12,627.5	17.7%
New loans (mortgages)	829.0	1,312.7	58.3%
<u>TFA (Stock)</u>	57.9	63.7	10.0%
-AUM/AUA	36.9	41.8	13.3%
-Deposits	21.0	21.9	4.3%
AUC	6.7	6.1	-9.0%
TFA (Net New Money)	3.7	1.3	
-AUM/AUA	1.7	1.9	
-Deposits	2.0	(0.6)	
No. of staff	1,887	1,963	4.8%
RWAs	5,696.5	4,533.8	-20.4%
Cost / income ratio (%)	79.0	75.2	
Bad Loans (sofferenze)/Loans ratio (%)	0.7	0.3	
ROAC	14%	23%	



## 8. Consumer Banking

Consumer Banking (€m)	6 mths	6 mths	Chg.%
	31/12/18	31/12/19	
Net interest income	450.2	474.0	5.3%
Net trading income	—	—	n.m.
Net fee and commission income	63.2	57.7	-8.7%
Equity-accounted companies	—	—	n.m.
<b>Total income</b>	<b>513.4</b>	<b>531.7</b>	<b>3.6%</b>
Labour costs	(48.6)	(50.0)	2.9%
Administrative expenses	(93.3)	(99.6)	6.8%
<b>Operating costs</b>	<b>(141.9)</b>	<b>(149.6)</b>	<b>5.4%</b>
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(113.9)	(128.0)	12.4%
Provisions for other financial assets	—	—	n.m.
Other income (losses)	—	(4.7)	n.m.
<b>Profit before tax</b>	<b>257.6</b>	<b>249.4</b>	<b>-3.2%</b>
Income tax for the period	(83.2)	(82.2)	-1.2%
Minority interest	—	—	n.m.
<b>Net profit</b>	<b>174.4</b>	<b>167.2</b>	<b>-4.1%</b>
Loans and advances to customers	12,766.2	13,698.4	7.3%
New loans	3,492.8	3,885.3	11.2%
No. of branches	172	172	n.m.
No. of agencies	20	34	70.0%
No. of staff	1,432	1,432	n.m.
RWAs	12,041.1	12,936.9	7.4%
Cost / income ratio (%)	27.6%	28.1%	
Bad Loans (sofferenze)/Loans ratio (%)	0.1	0.1	
ROAC	32%	30%	



9. Corporate & Investment Banking

Corporate & Investment Banking (€m)	6 mths	6 mths	Chg.%
	31/12/18	31/12/19	
Net interest income	138.9	136.1	-2.0%
Net treasury income	71.9	73.5	2.2%
Net fee and commission income	122.5	121.9	-0.5%
Equity-accounted companies	—	—	n.m.
<b>Total income</b>	<b>333.3</b>	<b>331.5</b>	<b>-0.5%</b>
Labour costs	(66.7)	(75.6)	13.3%
Administrative expenses	(63.3)	(68.1)	7.6%
<b>Operating costs</b>	<b>(130.0)</b>	<b>(143.7)</b>	<b>10.5%</b>
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	14.3	30.0	n.m.
Provisions for other financial assets	0.8	(0.3)	n.m.
Other income (losses)	—	—	n.m.
<b>Profit before tax</b>	<b>218.4</b>	<b>217.5</b>	<b>-0.4%</b>
Income tax for the period	(72.3)	(71.5)	-1.1%
Minority interest	—	(1.9)	n.m.
<b>Net profit</b>	<b>146.1</b>	<b>144.1</b>	<b>-1.4%</b>
Loans and advances to customers	17,400.6	18,041.4	3.7%
<i>of which purchased NPL (MBCreditSolutions)</i>	345.5	351.3	1.7%
No. of staff	571	633	10.9%
RWAs	19,819.2	20,332.7	2.6%
Cost / income ratio (%)	39.0%	43.3%	
Bad Loans (sofferenze)/Loans ratio (%)	0.0	0.0	
ROAC	16%	16%	



## 10. Principal Investing

PI (€m)	6 mths	6 mths	Chg. %
	31/12/18	31/12/19	
Net interest income	(3.6)	(3.5)	-2.8%
Net treasury income	9.0	5.3	-41.1%
Net fee and commission income	—	—	n.m.
Equity-accounted companies	165.5	183.7	11.0%
<b>Total income</b>	<b>170.9</b>	<b>185.5</b>	<b>8.5%</b>
Labour costs	(2.0)	(1.7)	-15.0%
Administrative expenses	(0.5)	(0.5)	0.0%
<b>Operating costs</b>	<b>(2.5)</b>	<b>(2.2)</b>	<b>-12.0%</b>
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	—	—	n.m.
Provisions for other financial assets	(10.8)	8.3	n.m.
Other income (losses)	—	—	n.m.
<b>Profit before tax</b>	<b>157.6</b>	<b>191.6</b>	<b>21.6%</b>
Income tax for the period	1.1	(4.7)	n.m.
Minority interest	—	—	n.m.
<b>Net profit</b>	<b>158.7</b>	<b>186.9</b>	<b>17.8%</b>
Equity investments	3,056.5	3,830.8	25.3%
Other investments	630.1	645.6	2.5%
RWAs	6,004.1	5,746.3	-4.3%
ROAC	17%	13%	

## 11. Holding Functions

Holding Functions (€m)	6 mths	6 mths	Chg. %
	31/12/18	31/12/19	
Net interest income	(23.5)	(30.7)	-30.6%
Net treasury income	12.3	12.1	1.6%
Net fee and commission income	4.6	7.2	-56.5%
Equity-accounted companies	—	—	n.m.
<b>Total income</b>	<b>(6.6)</b>	<b>(11.4)</b>	<b>-72.7%</b>
Labour costs	(55.7)	(57.7)	-3.6%
Administrative expenses	(25.6)	(22.3)	12.9%
<b>Operating costs</b>	<b>(81.3)</b>	<b>(80.0)</b>	<b>-1.6%</b>
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(3.3)	(3.8)	-15.2%
Provisions for other financial assets	(0.6)	(0.1)	83.3%
Other income (losses)	(11.3)	(11.8)	-4.4%
<b>Profit before tax</b>	<b>(103.1)</b>	<b>(107.1)</b>	<b>-3.9%</b>
Income tax for the period	39.1	31.9	18.4%
Minority interest	(1.8)	(1.3)	27.8%
<b>Net profit</b>	<b>(65.8)</b>	<b>(76.5)</b>	<b>-16.3%</b>
Loans and advances to customers	2,043.7	1,883.1	-7.9%
Banking book securities	6,480.8	5,631.2	-13.1%
RWAs	3,926.7	3,381.1	-13.9%
No. of staff	798	807	1.1%



## 12. Statement of comprehensive income

		6 mths	6 mths
		31/12/19	31/12/18
<b>10.</b>	<b>Gain (loss) for the period</b>	<b>469.2</b>	<b>453.0</b>
	<b>Other income items net of tax without passing through profit and loss</b>	<b>(15.7)</b>	<b>1.8</b>
20.	Equity instruments designated at fair value through other comprehensive income	14.0	2.0
30.	Financial liabilities designated at fair value through profit or 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 plans	(1.1)	0.1
80.	Non-current assets and disposal groups classified as held for sale	—	—
90.	Portion of valuation reserves from investments valued at equity method	(28.6)	(0.3)
	<b>Other income items net of tax passing through profit and loss</b>	<b>464.9</b>	<b>(328.5)</b>
100.	Foreign investment hedges	—	—
110.	Exchange rate differences	4.7	2.1
120.	Cash flow hedges	21.4	(2.6)
130.	Hedging instruments (non-designated items)	—	—
140.	Financial assets (different from equity instruments) at fair value through other comprehensive Income <sup>(1)</sup>	5.9	(16.9)
150.	Non-current assets and disposal groups classified as held for sale	—	—
160.	Part of valuation reserves from investments valued at equity method	432.9	(311.1)
<b>170.</b>	<b>Total other income items net of tax</b>	<b>449.2</b>	<b>(326.7)</b>
<b>180.</b>	<b>Comprehensive income (Item 10+170)</b>	<b>918.3</b>	<b>126.2</b>
190.	Minority interest in consolidated comprehensive income	1.8	2.8
<b>200.</b>	<b>Consolidated comprehensive income attributable to Mediobanca S.p.A.</b>	<b>916.5</b>	<b>123.4</b>

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

Fine Comunicato n.0187-14

Numero di Pagine: 24