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Testo del comunicato

Vedi allegato.

MEDIOBANCA

MEDIOBANCA
BOARD OF DIRECTORS' MEETING

Milan, 7 May 2020

Financial statements as at 31/3/20 approved

Mediobanca is strongly committed to executing the strategic guidelines of its 2019-23 plan, leveraging on the diversity of its business model and proven track record in growth across cycles and turning critical scenarios into opportunities to consolidate its position

The Group is facing the COVID-19 crisis with high capitalization, broad revenue diversification and excellent asset quality

In the emergency situation generated by COVID-19, Mediobanca has stepped up its activity in support of its stakeholders: staff, clients, community and shareholders

The Mediobanca Group earned a net profit of €85m in 3Q, the solid operating performance comfortably offsetting the COVID-19 impact

Over 9M the Group delivered improving results and high profitability – the result of our continued strategy to strengthen market positioning and intensify commercial efforts in our three core businesses (WM, CB and CIB)

ROTE: 10%, with net profit of €552m (down 12%)

TFAs €60bn (down 2%[1]), customer loans up 10% to €47bn, funding up 4% to €54bn

Revenues up 1% to €1.9bn

CET1 14%, including share of dividend accrued at end-2019

MDA buffer 600 bps

Capital generation will remain robust: CET1 FY21@15% (pre-distribution) even if cost of risk doubles from pre-COVID-19 levels (from FY19 @52 bps to @100 bps)

The comfortable funding and liquidity situation will continue

In conjunction with the FY 2019-20 year-end, the Group will adjust the IFRS 9 indicators to the new macroeconomic scenario and issue new guidance on the distribution for the present financial year in line with the ECB recommendations[2]

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1 Year-on-year = 31/3/20 vs 31/3/19.

2 The treasury share buyback scheme, authorized by shareholders at the ordinary Annual General Meeting held on 27 October 2018 and the European Central Bank pursuant to Articles 77-78 of Regulation (EU) 575/2013 (CRR) on 23 October 2018, was ended on 25 March 2020, with a total of 41.8 million shares bought back (equal to 4.7% of the company's share capital). Accordingly, shareholders will be asked to approve cancellation of the treasury shares. Application for approval of the new buyback scheme will be resumed in FY 2020-21, in accordance with the ECB guidelines.

9M performance reflects:

- **Record commercial activity in all areas until February.** Net new money (NNM) capacity in WM remains high, with no outflows in the Affluent/Private segment which contributed NNM of €1.1bn in 3Q, with additional deposits totalling €0.5bn. Despite the lockdown conditions from the last weeks in March severely reducing new business levels in consumer credit (down 80%) and mortgage lending (down 60%), over 9M new loans were up 3% in Consumer Banking (to €5.6bn) and up 45% in residential mortgages (to €1.8bn).
- **Asset quality indicators kept excellent and further improving:** gross NPLs/total loans down from 3.9% at end-December 2019 to 3.8%, with a coverage ratio of 55%, Stage 2 loans up slightly, from 5.3% to 5.9% with a coverage ratio of 11%**.** The cost of risk ("CoR") has been increased prudentially in 3Q, to 85 bps, from the record lows as at year-end 2019.
- **Solid capital position: CET1[3] ratio 13.9%, net of approx. 60 bps for the dividend** already accrued for the current financial year in 1H, **approx. 600 bps above the regulatory minimum.** In line with the ECB guidance and decisions taken by other banks in the Single Supervisory Mechanism (SSM), **the dividend policy for the current financial year** (€0.52, 10% higher than last year) **has not been confirmed; however, in view of the solid capital position, the share of the dividend accrued to end-December 2019 has continued to be prudentially deducted** from CET1**. When the full-year results are approved at end-July, the Board will issue new guidance** which may result in a proposal being submitted for approval by shareholders at the AGM in October 2020 if in line with SSM guidance;
- **Comfortable funding and liquidity position**: funding grew in the deposit component; increased availability in terms of TLTRO and counterbalance capacity with the new ECB guidelines. Cost of funding under control. Asset allocation in the banking book conservative;
- **Growth in revenues** (**up 1%** YoY, **to €1,907m)**, **down 9% in 3Q** (to €582m) due to the impact of market volatility (with trading income virtually wiped out in 3Q). **Solid performance in core revenues, reflecting:**
  - **Net interest income of €1,082m, up 3% YoY and down 1% QoQ (to €360m)**, on higher average volumes with low cost of funding;
  - **Fee income totalling €487m, up 6% YoY and down 9% QoQ (to €159m)**, driven by WM (to €235m, up 12% YoY), with CIB and Consumer Banking stable; 3Q saw **good resilience in WM fees**, due in part to the low contribution from performance fees, and a reduction in investment banking commissions;
- **Increase in CoR to 61 bps**, which **with 3Q has risen further to 85 bps**. The increase is concentrated in Consumer Banking (up from 190 bps to 202 bps, with 3Q to 223 bps), due to higher coverage, and in CIB (from minus 33 bps to minus 9 bps, which with 3Q becomes 37bps), due to lower writebacks and one position being reclassified as UTP;

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3 Management calculation as at 31 March 2020, which differs from the one used in the Common Reporting (COREP) as it includes the result for the period (not subject to authorization pursuant to Article 26 of the CRR), which amounts to approx. 20 bps of CET1.

- **Net profit €552m (down 12%** YoY), **€85m of which in 3Q**, reflecting €40m in value adjustments for seed capital and higher contributions to the SRF system fund (€37m), both taken in 3Q;
- **ROTE 10%, with all business segments contributing positively:**
  - **WM: ROAC[4] 21%, leading contributor to Group fee income** (48% of total in 3Q)**;** revenues up 8% YoY (to €444m), net fees up 12% YoY (to €235m), net profit up 19% YoY (to €67m);
  - **Consumer Banking: ROAC 29%, leading contributor to Group NII;** revenues up 5% YoY (to €805m), NII up 5% YoY (to €711m), net profit down 3% YoY (to €248m);
  - **CIB: substantial and profitable contribution;** net profit €155m, **ROAC 11%**
  - **PI: substantial and profitable contribution;** net profit €225m, **ROAC 14%.**

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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 period ended 31 March 2020, as illustrated by Chief Executive Officer Alberto NAGEL.

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The closing weeks of 3Q FY 2019-20 have been marked by the spread of the COVID-19 virus, which has had a huge impact in social and economic terms. In such a difficult scenario, **the Mediobanca Group has nonetheless demonstrated the value, resilience and effectiveness of its business model.**

COVID-19 emergency

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

- **Contingency Plan.** Mediobanca promptly set up a Crisis Unit on 24 February 2020. The Crisis Unit, chaired by the Group General Manager, includes the heads of the Operations, Risk Management, HR, Compliance and Communication units. Particular attention has been focused on:
  - Monitoring the decrees issued and adapting operations to comply with changes in the regulations, ensuring staff and clients are kept informed at all times;
  - Implementing all necessary measures to ensure maximum safety at the Group's offices and branches;
  - Stepping up the reporting system, adding daily briefings on key issues and regular updates on general topics.

4 ROAC: normalized profit/average allocated capital allocated capital = 9% RWAs (for PI division: 9% RWAs + capital deducted from CET1). Extraordinary income/expense excluded from normalized profit; normalized tax rate = 33% (25% for Private Banking).

For all areas key functions have been identified, and plans drawn up to ensure business continuity. Technology infrastructure has been strengthened and adapted to allow increased use of remote systems and lines. Checks have been performed with suppliers to ensure that emergency plans are in place, in order to guarantee that the Group's services continue to operate correctly.

- **Protection of Group staff. Priority has been given to the health and safety of Group staff and collaborators**, including:

  - Large-scale incentivization for working from home (currently 70% of Group staff);
  - Rescheduling of working hours in retail branch offices (appointments only);
  - Welfare system extension (healthcare coverage to include COVID-19, telehealth services; psychological support and counselling);
  - Webinars, videos and newsletters to engage, inform and assist staff.

  The Group has continued to recruit, albeit slower than in previous quarters, and no employees have had to be laid off.

- **Protection of Group clients. Priority has been given to ensuring continuity of relations**, which have intensified further in this period, and **protecting our clients**:

  - **Further drive to promote multi-channel model with strong digital offering**, already a differentiating factor for Mediobanca within the Italian banking panorama. All contact with clients via remote channels has been facilitated, while advisory services via digital technologies have been stepped up, and market volatility has driven regular publication of research and updates on the financial needs of our corporate, institutional and retail clients;
  - **Procedures to support the economy and households have been activated promptly**: the Mediobanca Group has immediately adhered to the various initiatives implemented by the Italian government and category associations to support households and businesses. The Group has taken steps to incorporate the provisions of contained in the recent "Heal Italy" and "Liquidity" decrees, and taken up the measures introduced by the Italian Banking Association (ABI)[5] and other category associations (consumer credit, leasing and factoring). As at end-March 2020 the Group had received applications for moratoria in an amount of approx. €52.5m,[6] involving a total gross exposure of €546m, some three-quarters of which are leases and one-quarter consumer credit. Neither the moratoria permitted by law (which account for just over two-thirds of the total) nor the private initiatives implemented in accordance with the EBA guidelines have resulted in forbearance measures being recorded, so the automatic mechanisms introduced by IFRS 9 for significant increases in credit risk have not been triggered;[7]

5 Measures to support households and self-employed/freelance workers impacted by COVID-19, provided in the "Heal Italy" decree, who do not, however, meet the requirements of the Gasparrini Fund for mortgage relief in terms of instalments past due and unpaid as at 31 January 2020: for mortgage payments and leases, real estate or otherwise.

6 Sum of principal amount and interest due on instalments deferred or postponed.

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

- **Supporting the community through donations**:

  - A total of €1.2m has been donated to the region of Lombardy, municipality of Milan and the Luigi Sacco Hospital by the Group and by its staff, who took part enthusiastically in an internal fund-raising campaign. The amount includes €100,000 donated by Compagnie Monégasque de Banque to hospitals in Monaco to acquire PPE for the staff working there;

  - In April, CheBanca! decided to donate 1x1000 of new tied deposits secured on the back of a promotional campaign; the first €300,000 has already been donated to non-profit organization "Hope" to acquire ventilators, portable ultrasound machines and PPE;

  - Chairman Renato Pagliaro, CEO Alberto Nagel and Group General Manager Francesco Saverio Vinci have all waived the emoluments payable in respect of their positions as Board members for FY 2019-20 (Mediobanca will donate these amounts to solidarity initiatives in connection with the healthcare crisis), and have committed to donating 30 percent of their fixed salaries for May-December 2020 to initiatives linked to the emergency, to be chosen from a group of non-profit organizations and entities to be selected by the Group CRS Committee. The Directors and Statutory Auditors of Mediobanca will also contribute 20% of their annual emoluments to support these initiatives.

Consolidated results

The COVID-19 emergency has been accompanied by a broad and sudden shock on financial markets, anticipating the effects that the crisis will have on the real economy.

Stock markets have lost more than 30%, with volatility in excess of 70%, the same levels seen in the 2008 financial crisis; the ten-year BTP/Bund spread has gone past 280 bps, while the Itraxx CrossOver index has been above 600 bps, compared to approx. 210 bps at end-December, evidence of the marked increase in credit risk.

The lockdown situation in the last weeks of March has affected retail lending business, with an 80% decrease in new loans in consumer credit and a 60% reduction in mortgage lending compared to February. Conversely, the corporate segment has seen increased recourse to revolving credit lines as businesses seek to meet their needs for liquidity.

Wide-ranging and unprecedented monetary and fiscal policy measures have been introduced alongside greater regulatory flexibility for banks to provide credit to the economy. Nonetheless, growth estimates have already been revised downwards on several occasions, and the leading research institutions are predicting a huge reduction in GDP and employment levels in 2020, both in Italy and worldwide, the size and extent of which are still hard to quantify.

The Mediobanca Group has gone into this crisis much stronger and better placed than in 2008 and 2011, on the back of:

- **Distinctive business model**, focused on highly specialized, profitable businesses, integrated between cyclical and anti-cyclical activities, diversified between retail and corporate, and **capable of growth even in adverse situations.** In the past ten years:

  - **Revenues have increased** from €1.6bn to €2.5bn as at June 19 (**CAGR 09-19: +5%**) and **been diversified in favour of recurrent, capital-light activities: WM** now generates **22%** of the Group's revenues (compared with 2% ten years ago), **Consumer Banking 40%** (almost double the 24% a decade ago), **CIB 25%** (vs 44%), and **PI just 13%** (vs 30%);

- **Customer loans** have **risen**, from €35bn to €47bn, with **55%** consisting of **loans to households** (consumer credit and mortgages, against 32% ten years ago), and **40%** of **corporate loans** (vs 54%);

- Similarly, **funding**, which currently totals €54bn, is made up as to **44% of retail/private banking deposits** (vs 12%) **and** as to **36% of Mediobanca bonds** (69%);

- **High and increasing capital solidity due to lower risk profile:** the **CET1 ratio** today stands at almost **14%** (vs 10% in June 2009 after the Lehman Brothers crisis, and 12% in June 2013 post-sovereign debt crisis), is now less exposed to leveraged lending, equity, government bonds and trading, and has better asset quality: the average rating of the corporate loan book is higher, household risk has shown ongoing improvement in recent years, Stage 2 loans and NPLs account for very low percentages of total loans and have high coverage ratios, and liquidity and funding levels are both high, with all indicators comfortably above the regulatory minimums set.

For the three months ended 31 March 2020 the Mediobanca Group delivered a satisfactory set of operating results, in NII and fee income in particular. A net profit of **€84.6m** was reported, half the level recorded last year, reflecting the impact of **market valuations and the prudential increase in the cost of risk**[8] (double the all-time lows reported at year-end 2019).

For the nine months net profit totalled €552.2m, down 11.8% on last year (31/3/19: €626m). **Revenues continue to increase** (up 1.2%, at €1,907.1m), albeit slower than during the first six months, when the growth rate was 3.8%; profitability remains at high levels (**ROTE 10%),** as does capital solidity (**CET1 ratio nearly 14%**) and operating efficiency **(cost/income ratio 46.7%)**.

The main income items performed as follows:

- **Net interest income rose by 3.3%**, from €1,047m to €1,081.7m, **remaining stable in 3Q** at €360.2m, with the contribution from Consumer Banking (NII up 5.5%, from €674.5m to €711.3m) only marginally impacted by the fall in new loans during March; Wealth Management added net interest income of €203.7m (up 4.9%), and Corporate and Investment Banking of €202.6m (down just 1%), while the Holding Functions reported net interest expense of €40.8m, reflecting an improvement in 3Q;

- **Net fee and commission income climbed 5.6%,** from €461.5m to €487.3m, **despite the reduction reported in 3Q** (down 8.5% to €158.8m), driven by a good performance in Wealth Management (up 11.7%, from €209.9m to €234.5m), confirming the solidity of the business with €76.5m added in 3Q (approx. half the total); Corporate and Investment Banking reported fees of €174.2m, basically the same as last year (€174.8m), on 25% growth in advisory fees (from €67.1m to €83.7m, €19.1m in 3Q), helped by the consolidation of Messier Maris et Associés (which added €29.4m, €5.8m in 3Q); Consumer Banking contributed fees of €93.7m (€95.4m), managing to offset the reduction in fees linked to new business with a reduction in commissions credited back to the commercial network;

- **Net treasury income reflects the sharp market correction,** closing at €88.6m, just over half the €150.5m reported last year, **with 3Q basically wiped out** (minus €2.9m) due to losses on the proprietary trading book (€25.4m); revenues from client-driven business decreased from

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8 The results reflect a prudential increase in the cost of risk, despite retaining the same macroeconomic scenario used for the first six months; the IFRS 9 indicators will be adjusted at the financial year-end, in the hope of having a more intelligible situation to work with.

€103.3m to €76m, following an €18m reduction in 3Q (compared with average income of €31m in the past two quarters);

- **The equity-accounted companies' contribution to net profit rose** from €224.8m to €249.5m, with €65.5m added in 3Q, which, as in previous years, refers to the profits earned by Assicurazioni Generali in 4Q FY 2019.

Operating costs rose by 4.5%, from €852.8m to €890.9m, less so than in the first six months (when they were up 5.3%), on labour costs of €453.8m (up 6.1%) and administrative expenses totalling €437.1m (up 2.8%); MMA contributed costs of €20.8m, €15.7m of which labour costs. On a like-for-like basis the increase would have been 2%, mostly due to the expansion in Wealth Management (costs up €12m, all of which labour costs) and in Consumer Banking (costs up €8m, €6m of which due to higher administrative expenses). The third quarter reflects the impact of certain preliminary cost-cutting measures.

Loan loss provisions were almost 30% higher than last year, up from €161.4m to €209.5m, with the cost of risk at 61 bps (vs 51 bps last year and 48 bps at end-December 2019); virtually the whole increase was concentrated in 3Q (when the cost of risk increased to 85 bps) and shows the impact of the COVID-19 pandemic:

- Consumer Banking, as a result of the difficulties in payments and carrying out credit recovery activities, increased its provisioning by €76.1m in the three months (with the cost of risk up to 223 bps), taking the 9M total to €204.1m, 17% higher than last year. The cost of risk for the nine months was just over 200 bps (vs 190 bps at end-December 2019).

- Corporate and Investment Banking posted lower net writebacks of €12.7m (compared with €25m last year and €30m in 1H), with net writedowns of €17.3m taken in 3Q (the cost of risk rising to 37 bps), €6.1m of which in Specialty Finance and €11.2m in respect of the corporate loan book (including €1.7m in writebacks due to repayments).

- CheBanca! set aside provisions of €11.4m, an increase of 25.3%, in part due to the higher loan stock, with €4m for 3Q (10% higher than in 1Q and 2Q, reflecting a cost of risk for 3Q of 16 bps).

The market correction, equity and high-yield credit in particular, was reflected especially in **funds measured at fair value**, in particular the two main seed capital investments (RAM €147m, Cairn Capital €171m). Overall writedowns of €32.3m were charged, with around €40m taken in respect of 3Q; by contrast, the impact on the banking book was limited, reflecting adjustments of just €0.3m (as against €1m last year).

Payments made to the resolution funds were higher than last year, up from €38m to €49.7m, due to an increase in the ordinary Single Resolution Fund payment (from €26.8m to €37.2m), reflecting an increase in deposits at system level. Other charges include non-recurring costs (such as the Compass antitrust fine and restructuring projects) totalling €7.8m, €3.5m of which for 3Q.

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In 3Q total assets declined from €82.5bn to €79.2bn, due to the reduction in gross trading asset balances (from €12.5bn to €9.2bn), and treasury assets (down from €9.1bn to €7.5bn); the increase in loans and advances to customers, which were up 2.6%, was matched by the growth in funding (up 3.5%):

- **Customer loans grew** from €46.3bn to €47.4bn, due chiefly to an increase in large corporate loans (up 7.8%, from €15.3bn to €16.5bn) linked to increased recourse on the part of clients to revolving credit lines (with €1.1bn drawn down in 3Q); loans in Wealth Management rose from €12.6bn to €13bn, with a higher contribution from mortgage lending (up from €9.8bn to €10.1bn); by contrast Consumer Banking, after several quarters' growth, closed flat at €13.7bn, reflecting the marked slowdown in new business in the last weeks of March. In 3Q there was an increase in positions reclassified as Stage 2 (which rose from €2.3bn to €2.6bn), concentrated in Consumer Banking; overall, the coverage ratio for performing loans remained at 1.1%, with an increase in Consumer Banking (from 2.7% to 2.8%);

- **Gross NPLs basically flat at end-December levels** (rising from €1,831.8m to €1,864.3m),[9] but improving in relative terms to 3.8% of total loans (31/12/19: 3.9%). Almost 80% of the increase is attributable to Consumer Banking, which has started to see the first effects of the halt in operations in repayments and recoveries. Net NPLs decreased from €844.4m to €836.2m (1.8% of total loans), as a result of the higher coverage ratio of 55% (54%). The bad debt indicators were virtually unchanged, with the net stock totalling €76.9m, representing 0.16% of total loans and covered as to 81%;

- **Funding rose** from €52.1bn to €53.9bn, chiefly due to the higher deposit component (up from €21.9bn to €22.4bn) and to increased use of the interbank channel (up from €5.8bn to €6.3bn); debt security funding was basically unchanged at €19.2bn, following new issues of €1.2bn against redemptions totalling €1.4bn; recourse to TTLRO rose from €4.3bn to €4.7bn, with the new funding programme tapped for €1.5bn, replacing the previous €1.2bn facility; the cost of funding was stable at 80 bps;

- **Banking book securities were up 7.2%**, from €6.8bn to €7.3bn, with the government security component amounting to €5.4bn, €3.3bn of which Italian (duration of less than four years, almost half of which classified as Hold to Collect and Sell); net treasury assets were stable at €3.9bn, despite the material reduction in gross balances referred to above;

- **TFAs in Wealth Management declined from €63.7bn to €60.2bn, due solely to the market effect** (€4.1bn), **while Net New Money (NNM) for 3Q reflects inflows of €0.6bn.** AUM/AUA declined from €41.8bn to €37.8bn, helped by conservative asset allocation, with a significant component of capital protected products; conversely, direct funding rose from €21.9bn to €22.4bn. CheBanca! TFAs closed at €26.3bn, €15.1bn of which in deposits (NNM 3Q inflows of €853m); TFAs in Private Banking totalled €24.2bn, €16.9bn of which AUM/AUA (NNM inflows of €261m); while the product factories manage assets worth €18.9bn, €9.1bn of which internal to the Group. The outflows of assets from systematic funds continued during the three months.

- **The capital ratios remain stable at high levels, approx. 600 bps above the regulatory limits, and include the share of the dividend accrued in 1H (€0.27 per share).** In line with the ECB Recommendation and the decisions taken by the other banks in the Single Supervisory Mechanism (SSM), **the Board of Directors has chosen not to confirm the dividend policy for the current financial year (dividend of €0.52, 10% higher than last year), while continuing to**

9 This item does not include NPLs acquired by MBCredit Solutions which grew slightly in 3Q, from €351.1m to €352.3m, following acquisitions of new portfolios (with a nominal value of €61.9bn involving an outlay of €9.7m).

deduct the share accrued until end-December 2019 from CET1; when the accounts for the full year are approved at end-July, the Board will issue new guidance that may eventually become a proposal to be submitted to shareholders for approval at the AGM to be held in October 2020, in the absence of further indications from the SSM.

- Phase-in:[10] the **Common Equity Tier 1 ratio** (calculated with the Assicurazioni Generali investment weighted at 370%) **stands at 13.88%** (31/12/19: 14.14%) and the **Total Capital ratio at 16.72%** (17.14%). The resilience of the ratios during the period, despite the higher deductions for Assicurazioni Generali (approx. 20 bps), derives from earnings generation (adding 20 bps), the small changes to the FVOCI reserve (removing 15 bps) due to conservative asset allocation in the banking book, and the limited growth in RWAs (which took off 10 bps).

- **Fully-loaded** without the Danish Compromise, that is, with the Assicurazioni Generali investment fully deducted (minus 105 bps) and with full application of the IFRS 9 effect (minus 16 bps), **the CET1 ratio stands at 12.66% and the Total Capital ratio at 15.71%.**

- **SREP 2020 requisites cut by the ECB,** as part of the package of measures introduced in connection with COVID-19: the ECB brought forward application of Article 105 of CRD V, meaning that 75% of Mediobanca's P2R (1.25%) is met by CET1 instruments and the remaining 25% with Tier 2 instruments, **bringing the SREP minimum CET1 requirement down from 8.25% to 7.94%.**

Divisional results

1. **<u>Wealth Management:</u>[11] digital efficiency, advisory-based approach, innovative product offering, sustainable pricing and brand value are once again key factors in the effectiveness of the WM model, even in the changed scenario: NNM inflows total €1.1bn in 3Q** in the Affluent and Private segment, **€0.3bn** of which **in March**, **revenues up 8% to €444m, with growth in both NII (up 5%) and fees (up 12%). ROAC@21%**

The third quarter was marked by the sudden correction in the pricing of financial assets and persistent market volatility, which increased risk adversity on the part of both institutional and private investors.

For the WM division, in 3Q **the impressive results achieved during 1H** (net profit of €48.2m, at a ROAC of 23%, revenues of €298,9m, customer loans €12.6bn and TFAs €63.7bn), **continued with the same intensity in the first two months of 2020** (TFAs in February exceeded €64bn) and **the distinctive features of our business model allowed the market correction and halt in operations to be absorbed**. The following characteristics in particular **have become increasingly important in the changed scenario**:

- **High levels of digitalization in commercial and operating processes:** our bankers and advisors have maintained constant contact with their clients, stepping up remote advisory services and in some cases activating web and mobile collaborations, ensuring that banking operations can continue to be performed (97% of CheBanca! transactions are executed digitally);

10 Management calculation as at 31 March 2020, which differs from the one used in the Common Reporting (COREP) as it includes the result for the period (not subject to authorization pursuant to Article 26 of the CRR), which amounts to approx. 20 bps of CET1.

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

- **Sustainable, transparent pricing, with a low performance fee component**, which limited the 3Q reduction in fee income (down 14% QoQ), despite the trend on financial markets;

- **Prudent AUM allocation**, featuring capital protected insurance-based products that helped mitigate the adverse market effect on assets (below 10% of the total);

- **Appeal to Affluent and UHNWI clients and capability to retain loyalty**, meaning there was no increase in redemptions by Affluent and Private Banking clients; in the two segments **NNM in 3Q reported inflows of around €1.1bn**, with healthy increases both in liquid assets (€0.6bn) and AUM/AUA (€0.5bn). Outflows in 3Q chiefly regarded institutional clients in Asset Management, most of which independent of the COVID-19 scenario.

Strengthening of the distribution network and commercial offering continued in 3Q, albeit slower than previously, as follows:

- **The network has now reached 1,000 professionals** (20 more than at end-December 2019), with 14 new FAs and a special relationship manager for Affluent clients recruited, and 5 bankers for Private clients; the Affluent network now has 863 professionals (11% more than at end-June 2019), with 454 wealth managers and 409 FAs;

- **The product offering has been expanded**, with CheBanca! introducing discretionary portfolio mandates for Premier clients, CMB launching an advisory service, and placement of the Mediobanca Active Allocation fund, a new way of managing assets actively and dynamically, with a mix between directional multi-asset and market neutral strategies (raising total funding of €185m).

As for the balance-sheet data:

- **Loans and advances to customers were up 3%** from €12.6bn to €13bn, with the mortgage loan component equal to €10.1bn (up 3%, on the €9.8bn reported at end-December 2019) **on new loans in 3Q of €478.3m** (up 18% YoY), despite the slowdown in March reflecting the first impact of the COVID-19 crisis. **New loans in 9M totalled €1.8bn** (up 45% YoY), helped by the record levels of commercial activity recorded until February 2020. Private Banking contributed €2.9bn (up 4%, from €2.8bn). Gross NPLs remain at low levels in relative terms, accounting for just 1.5% of total loans (compared with 1.6% at end-December 2019), while net NPLs account for less than 1% of total loans, with a coverage ratio of 47.5% (46.3%); and net bad loans total €44.3m (0.3% of total loans), with a coverage ratio of 61.5%. The figures do not yet include the effects of mortgage moratoria permitted under Article 54 of the "Heal Italy" decree launched on 1 April 2020, while loans in Private Banking were only marginally affected (with just three applications received for a total of €1.2m). CheBanca! is committed to facilitating its clients' access to the moratoria and other initiatives introduced by the Italian government, including advances on furlough payments and guaranteed loans to provide support in addressing the crisis;

- **Total financial assets managed on behalf of clients (TFAs) amount to €60.2bn, down 6% in 3Q chiefly due to the negative market effect (€4.1bn),** mitigated by prudent asset allocation; in particular, **AUM/AUA totalled €37.8bn (63% of TFAs), down 9% in 3Q due to the market effect**; while the deposit component increased by 2%, helped by net inflows of NNM in the Affluent segment, including as a result of the promotion launched in February of this year. TFAs are split as follows: €26.3bn in Affluent, €24.2bn in Private Banking, and €18.9bn at the product factories, €9.1bn of which through the Group's distribution networks;

- **NNM: inflows of €0.6bn in 3Q, mostly deposits**: the net AUM/AUA inflows in the Affluent and Private Banking segments (NNM of €0.5bn) were offset by the net outflows in Asset Management (also €0.5bn). Asset Management reflects the decline in the institutional component at RAM (down €672m, consistent with the sector trend), in part compensated by the increase reported by Cairn Capital (€201m, in particular following the placement of the Leverage Loan Fund with institutional clients). Inflows of liquid assets, in line with the market trend for 3Q, totalled €0.6bn, virtually all of which involved deposits in the Affluent segment.

The positive commercial performance translated to growth in 9M in the revenues, net profit and ROAC posted by the division, all of which were good in 3Q as well:

- **Revenues climbed 8.3% to €443.6m, with €145m generated in 3Q** (up 5% YoY), with net interest income up 4.9% (from €194.2m to €203.7m, €65.6m of which in 3Q), and fees up 11.7% (from €209.9m to €234.5m, €76,5m of which in 3Q). **WM is now confirmed as the leading contributor to Group fee income, and stands out for the quality and sustainability of its fees**: the recurring fee component rose by 10% to €251m (approx. 90% of the total), in part offset by higher commissions credited back to the FAs totalling €28.6m (€20.7m); performance fees, which were non-existent in 3Q, were low over 9M as well, albeit higher than last year at €12.4m (€2.1m);

- **Cost/income ratio improving from 78.7% to 76.2%**, after a modest increase in operating costs which were up 4.8% (from €322.4m to €338m, €113.3m of which in 3Q), reflecting enhancement of the distribution structure;

- **Loan loss provisions, primarily in mortgages, climbed 74%** from €6.8m to €11.8m (€4.1 of which in 3Q), reflecting the first difficulties encountered in collecting existing NPLs, and impacted by comparison with the positive result last year which was bolstered by the disposal of the former Micos Banca bad debts (adding €1.6m); the cost of risk stood at 13 bps (8 bps last year; 17 bps normalized);

- **Net profit was up 18.8% to €66.5m (3Q: €18.3m), and ROAC 21%** (31/3/19: 16%).

2. **Consumer credit: management approach geared towards value and anti-cyclical nature of the business underpin Compass's sustainable profitability, even in the changed scenario: new loans of €1.7bn were recorded in 3Q** despite the sharp reduction in March due to lockdown, while **NII was stable** (at €237m) and the **cost of risk, despite increasing, remained at good levels** (223 bps in 3Q). **ROAC@29%**

The Italian consumer credit market has been hit profoundly by the COVID-19 emergency, with a brusque slowdown in new loans in March (down 38%) which chiefly affected the demand for personal loans (down 47%) and special purpose loans (down 56%), and also, to a lesser degree, credit cards (down 20%). These reductions became even more pronounced in the last two weeks of March and continued in April. **Although the Consumer Banking division was affected in the immediate aftermath of the lockdown, the sustainability of our business model even in this changed scenario** has been confirmed by:

- **Wide-ranging, diversified product range,** with highly profitable personal loans accounting for 50% of the total and a solid track record even in times of crisis;

- **Broad, integrated distribution network,** which in this time of limited mobility has reaped the benefits of the well-established digital channel;

- **Loyal and established client base,** with 80% repeat business;

- **Value-oriented management approach**, characterized by excellent pricing and risk assessment capabilities, with risk-adjusted return seen as the only relevant decision-making metric for new business: this has allowed the cost of risk and asset quality to be kept under control even in times of crisis;

- **Effective credit recovery processes**, managed via an internal platform and an external third-party network;

- **Anti-cyclical business**, in view of the limited correlation which the cost of risk and new loans have in the past shown with the trend in GDP.

New loans in 3Q for the division totalled €1.7bn, almost in line with the record result posted in 2Q (€2bn), not including the last two weeks of March when there was a reduction of more than 80%. The first two and a half months of 2020 were boosted by a good performance by the commercial network (with six new agencies opened), driving new loans of €5.6bn in 9M, slightly higher than last year (€5.4bn), and consolidating Compass's market share at 10%. Personal loans were stable at €2.8bn (with the share generated via the direct channel totalling €1.6bn), while special purpose and automotive loans both increased, the former up 12% (to €747m), the latter up 11.5% (to €897m).

Net loans totalled €13.7bn, flat QoQ but up 4.6% YoY; 55% of the total consists of personal loans, while the loan stock in salary-backed finance was slightly above €2bn.

Asset quality was confirmed at high levels:

- **Net NPLs** decreased to €290.7m (31/12/19: €295.3m), representing 2.1% of total loans (2.2%) due to the effect of **the increase in the coverage ratio** to 68.3% (from 66.9%), to factor in the problems encountered in credit recovery activities as a result of the lockdown and anticipate future difficulties as well;

- Net bad debts totalled €14.7m (€14.8m), and represent 0.1% of total loans (unchanged), with a coverage ratio of 94% (93.4%); NPLs worth a total of €151.3m were disposed of externally to the Group during the nine months under review, €31.3m in 3Q;

- **Compass and Futuro have both adhered to the voluntary moratorium initiative launched by Italian consumer credit association Assofin to assist clients affected by the COVID-19 emergency**, allowing them to defer payment of the first two/three instalments on outstanding loans falling due. As at 31 March 2020, a total of 11,120 applications had been received in respect of an aggregate exposure of €139.4m (1% of performing loans), with €6.7m worth of instalments deferred; of the concessions granted, 80% were to clients with no delays in payments before the crisis, and therefore did not result in a deterioration in credit risk that would trigger reclassification as Stage 2. By contrast, the remaining portion did contribute to the increase in loans classified in Stage 2 (from €1,090.8m to €1,261.9m, equal to 9.2% of total loans), driving an increase in the coverage ratio for performing loans from 2.7% to 2.8%.

The division's earnings results were again excellent, despite the first effects of the COVID-19 emergency.

The Consumer Banking division delivered **a net profit of €247.9m in 9M** (31/3/19: €256.1m), with €80.7m added in 3Q (vs €79.2m in 2Q), **after revenues of €805m (up 4.6%)** with the **cost/income ratio unchanged at 28.1%.** The reduction in profits for 9M reflects the one-off provisioning taken in respect of 1H (€4.7m due to the antitrust authority fine), and the **increased cost of risk (up from 190 bps to 202 bps)**, already evident in 1H which became more pronounced at the end of March. **The ROAC for the division remained high at 29%.** The main income sources performed as follows during the period:

- Net interest income rose by 5.5% (from €674.5m to €711.3m), driven again by growth in average volumes (up 6,8%); NII in 3Q declined to €237.3m, due to the reduction in new loans and asset yields;

- Net fee and commission income decreased slightly YoY, from €95.4m to €93.7m (down 1.8%), but represents an improvement on 1H (when the reduction was 8.7%); this performance was assisted by the sharp fall in *rappel* commissions (from €42m to €29m) in relation to the lower new loans generated in 3Q, offsetting the reduction in the insurance component (from €58m to €48m);

- Operating costs were up 4.7%, from €216.4m to €226.5m, representing a slowdown compared to 1H (when the increase was 5.4%), due to the marketing and credit recovery expenses in 3Q;

- Loan loss provisions rose by 17%, from €174.5m to €204.1m, with the contribution for 3Q €76.1m, roughly half of which emerged at the period-end due to higher provisioning for performing and non-performing loans; the cost of risk for 9M was 202 bps, 12 bps higher than at end-December 2019, and for 3Q was 223 bps.

3. Corporate & Investment Banking: specialist, client-driven approach; focus on mid-large clients (70% investment grade/crossover); minimal exposure to sectors most exposed to the effects of COVID-19; high asset quality – all key factors in determining the sustainability of our business model. ROAC@11%.

The halt in operations as a result of the healthcare emergency has progressively affected all of the CIB division's reference markets. In M&A, the upturn recorded in the first two months of 2020 ground to a halt, with numerous deals having to be shelved. Capital market remained weak in ECM both in Italy and in the rest of Europe; while DCM, after a strong start to the year in January and February, displayed some resilience in the core European countries in March, but not on the Italian market where issues have all but vanished. In lending, globally the COVID-19 crisis has intensified the recourse by corporates to revolving credit lines, and **banks have stepped up their risk management to guarantee the quality of their exposures to the sectors most impacted by the crisis** (transport, oil and gas, tourism, non-food retail, automotive, etc.), **all sectors to which Mediobanca has a limited exposure.**

In this scenario, the CIB's division's differentiating features **have become even more decisive**:

- **Specialist, client-driven approach**;

- **Highly-diversified revenue streams,** with approx. 55% of revenues generated from lending, approx. 45% from investment banking, and the proprietary trading component historically less than 5%;

- **Excellent prudent valuation of risks in the loan book,** a decisive factor in maintaining a high quality corporate portfolio: 70% of the loans have ratings in the investment grade space (from AAA to BBB-) or crossover area (BB+), limited exposure to SMEs and sectors most impacted by the COVID-19 crisis, low average tickets, high geographical diversification, minimal exposure to LBOs.

During the three months under review:

- **Customer loans increased**, from €18bn to €18.9bn, with a good contribution from the Large Corporate segment of €16.5bn (vs €15.3bn), offsetting the reduction in Specialty Finance (from €2.7bn to €2.4bn), due in particular to the seasonal nature of ordinary factoring operations (down from €2.4bn to €2.1bn). New loans in Lending and Structured Finance amounted to €1.8bn, against redemptions totalling €0.6bn (€0.2bn of which were early redemptions), and more than half the new loans in 3Q involved revolving credit lines (€1.1bn) which at end-March 2020 had been drawn as to 15%, in working capital lines.

- **Asset quality remained high**: gross NPLs increased from €551.9m to €564m, chiefly due to the Large Corporate component, where one new position was reclassified as UTP in 3Q (with a gross book value of €18.4m), albeit unrelated to COVID-19 and offset by certain early redemptions (€7.8m); **gross NPLs continue to represent 3% of the CIB loan book**; while net NPLs increased from €322.1m to €324.9m, remaining broadly stable at 1.7% of total loans with a coverage ratio of 42.4% (41.6%). **The first effects of the COVID-19 crisis have not generated material impairment in the CIB loan book's quality, and as at 31 March 2020 no applications for moratoria had been received to defer payments of principal amount or interest**, merely **certain requests for waivers of financial covenants**, the test dates of which fall in the coming quarters/half-years and relate to sales estimates for 2020 unlikely to be met as a result of the lockdown. Given the temporary nature of these issues, the absence of liquidity problems among the counterparties that have made these requests, and the small amounts involved, **the waivers granted have not been treated as forbearance measures.**

The 9M results are obviously impacted by the **COVID-19 outbreak which has led to a slowdown in the pipeline for M&A and other deals,** with businesses more focused on managing the economic and healthcare crisis**, and high market volatility levels, and from March onwards has driven a sharp downturn in trading activities. In 9M revenues were down 9% to €435.7m, solely as a result of the reduced contribution from trading revenues, while NII and fees consolidated near last year's levels.** Net profit decreased from €208.6m to €155.2m, €11.1m of which in 3Q (vs €87m in 2Q); **the ROAC for the division was 11%**, lower than at end-December 2019 (15%). The main income items performed as follows:

- **Net interest income was basically unchanged** at €202.6m (€204.7m), with €66.5m added in 3Q, driven by higher lending volumes in the large corporate segment;

- **Fee income remained stable** at €174.2m (€174.8m), with €52.3m added in 3Q, €19.1m of which by Advisory and M&A; MMA contributed €29.4m to the 9M results, offsetting the reductions in Specialty Finance (from €39.1m to €28.4m, due to a lower contribution from MBCS) and lending (from €33.9m to €27m);

- **Net trading income was the main driver of the fall in revenues**, and **decreased from €98.4m to €58.9m** as a result of the €14.6m loss recorded in 3Q, on the proprietary trading book (which reported a €32m trading loss), which was only in part offset by CMS client business (up €17.8m), itself lower than the average figure reported in the previous two quarters (approx. €30m);

- **Operating costs rose from €197.5m to €212.8m**, €69.1m of which in 3Q (split equally between labour costs and other overheads); the 9M increase (7.7%) regards exclusively the **consolidation of Messier Maris et Associés** (€20.8m, €15.7m of which were labour costs), on a like-for-like basis costs were down approx. 3%, with labour costs in particular down 5% reflecting lower accruals in respect of the variable component. **The cost/income ratio rose to 48.8%**.

- **Net loan loss provisions totalled €12.7m**, lower than last year (€27.2m) and lower than 1H (€29.7m); in particular **the Large Corporate portfolio, after several quarters in which net writebacks have been credited, reported a negative result (minus €11.2m)**, reflecting uncertainties linked to the healthcare crisis plus the new position reclassified as UTP and lower writebacks in respect of NPLs (€1.7m, chiefly due to collections). **The cost of risk for the CIB division in 3Q was 37 bps.**

4. <u>Principal Investing</u>: positive contribution to Group net profit confirmed (PI net profit up 3% to €225m) and good profitability: ROAC@14%

Principal investing delivered a net profit for the nine months up from €218.8m to €225.3m, on income from equity-accounted companies totalling €249.5m (€224.8m last year), and dividends and other income collected from equities and funds amounting to €8.1m (€9m). The sharp price correction in the various asset classes is reflected in the value adjustments to holdings in funds, in particular seed capital invested in equity products (RAM) and credit products (Cairn Capital); overall a writedown of €31.7m was charged (compared with €6.5m last year), with €40m generated in 3Q.

The book value of the Assicurazioni Generali investment decreased from €3,789.9m to €3,666.4m, on net profit of €65.5m and decreases in the valuation reserves totalling €189m. As usual the change reflects movements in the company's earnings and assets recorded in the last quarter of 2019.

As for the banking book securities, positions held in funds decreased from €495.4m to €460.2m, reflecting the period-end value adjustments referred to above, against minimal net investments (€2.7m); holdings in equities decreased from €150.2m to €127.3m, due to fair value being lower as at end-March 2020.

5. <u>Holding Functions</u>: comfortable funding and liquidity position. FY 2019-20 funding budget already complete, with cost of funding approx. 80 bps.

The Holding Functions division has a comfortable funding and liquidity position and costs under control, with deleveraging in its leasing activities ongoing. Net of one-off items the results posted were basically stable. The net loss increased from €116.3m to €140.5m, due to reduced contributions from the banking book (reflected in net interest expense increasing from €36,7m to €40.8m on lower returns) and net trading income (which totalled €19m, compared with €35.3m) due to the reduction in disposals; the result for 3Q also includes an increase in the payment made to the Single Resolution Fund (SRF) from €26.8m to €37.2m and other non-recurring charges totalling €3.5m.

The segments performed as follows:

- **Group Treasury and ALM has completed its funding plan for the full financial year**, in particular with the first issue of senior non-preferred notes in January. **The cost of funding was stable at approx. 80 bps**. Overall funding was 4% higher than at end-December 2019, at €53.9bn, with an increase in customer deposits (from €22.4bn to €23.6bn). The net loss for 9M rose from €39m to €49.2m due to lower dealing profits of €19m (€35.1m) which includes gains realized on the banking book and the effects of the hedging strategies;

- Operating costs decreased from €127.3m to €124.6m;

- **Leasing** delivered a reduction in net profit from €3.5m to €0.9m, due to extraordinary charges in connection with staff restructuring plans (€3.5m), plus higher loan loss provisions of €6.3m (€5.5m); the 5.1% reduction in revenues (from €31.5m to €29.9m) was mostly absorbed by the decline in operating costs (from €18.3m to €17m). Amounts leased to customers were basically unchanged in 3Q at €1,835.4m (31/12/19: €1,883.1m), with new business totalling €232m (€329m last year). Gross NPLs fell from €181.1m to €178.9m, and represent 9.4% (9.3%) of total leases; similarly, net NPLs decreased from €116.6m to €113.8m, and account for 6.2%

of total leases (unchanged) with a coverage ratio of 36.4%. **Leasing in particular was affected by the moratoria granted under Article 56 of the "Heal Italy" decree**, which introduced the possibility by law for SME clients to defer half-yearly instalments falling due in the months of March, April and May. **As at 31 March 2020, a total of 4,081 applications had been received**, involving a gross exposure of €401.7m (approx. 25% of the performing portfolio) and deferred instalments in an aggregate amount of approx. €45m; some 90% of the applications received and approved % were to clients with no delays in payments before the crisis, and therefore did not result in a deterioration in credit risk that would trigger reclassification as Stage 2 with subsequent increase in the provisioning (life-time expected losses).

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The **treasury share buyback scheme**, authorized by shareholders at the ordinary Annual General Meeting held on 27 October 2018 and the European Central Bank pursuant to Articles 77-78 of Regulation (EU) 575/2013 (CRR) on 23 October 2018, **was ended on 25 March 2020, with shares bought back in the 18-month period equal to 4.7% of the company's share capital. As at 31 March 2020** Mediobanca owned 26.6 million treasury shares, equal to approx. 3% of the company's share capital, after 13 million shares were acquired in the nine months and 1.7 million shares were used in connection with the performance share scheme.

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Outlook

Mediobanca is strongly committed to executing the strategic and operating guidelines of its 2019-23 plan: leveraging on the distinctive features of its business model and its track record in managing crisis situations, turning challenges into opportunities.

In the uncertainty affecting the reference framework, the Mediobanca Group is at present adopting an operating scenario based on activities gradually resuming as from end-June 2020, with the government initiatives introduced to stimulate demand starting to become effective mainly in the second half of 1H FY 2020-21.

Against this backdrop, Group revenues are expected to decrease moderately in the first quarters of FY 2020-21, in particular due to the temporary reduction in new business in consumer credit and the CIB pipeline being rebuilt gradually. Conversely, Wealth Management will continue to increase its contribution to the Group's profitability.

Capital generation will remain robust. CET1 as at end-FY 2020-21 is expected to be approx. 15% (before profit distributions/buyback) even if the cost of risk doubles from pre-COVID-19 levels (from 52 bps at end-June 2019 to near 100 bps). The comfortable funding and liquidity situation should continue.

In conjunction with the FY 2019-20 year-end, the Group will adjust the IFRS 9 indicators to the new macroeconomic scenario, and issue new guidance for the dividend for the present financial year in line with the ECB recommendations.

MEDIOBANCA

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Disclaimer

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These forward-looking statements include, but are not limited to, all statements other than actual data, historical or current, including those regarding the Group's future financial position and operating results, strategy, plans, objectives and future developments in the markets where the Group operates or is intending to operate.

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MEDIOBANCA

1. Restated consolidated profit and loss accounts

Mediobanca Group (€m)	9 mths 31/03/19	9 mths 31/03/20	Chg. %
Net interest income	1,047.0	1,081.7	3.3%
Net treasury income	150.5	88.6	-41.1%
Net fee and commission income	461.5	487.3	5.6%
Equity-accounted companies	224.8	249.5	11.0%
Total income	**1,883.8**	**1,907.1**	**1.2%**
Labour costs	(427.6)	(453.8)	6.1%
Administrative expenses	(425.2)	(437.1)	2.8%
Operating costs	**(852.8)**	**(890.9)**	**4.5%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(161.4)	(209.5)	29.8%
Provisions for other financial assets	(6.0)	(32.3)	n.m.
Other income (losses)	(37.2)	(56.3)	51.3%
Profit before tax	**826.4**	**718.1**	**-13.1%**
Income tax for the period	(195.9)	(162.5)	-17.0%
Minority interest	(4.5)	(3.4)	-24.4%
Net profit	**626.0**	**552.2**	**-11.8%**

2. Quarterly profit and loss accounts

Mediobanca Group	FY 18/19				FY 19/20		
(€m)	I Q 30/09/18	II Q 31/12/18	III Q 31/03/19	IV Q 30/06/19	I Q 30/09/19	II Q 31/12/19	III Q 31/03/20
Net interest income	344.1	356.5	346.4	348.6	359.1	362.4	360.2
Net treasury income	40.8	56.8	52.9	46.2	34.7	56.8	(2.9)
)Net commission income	155.1	157.8	148.6	149.7	154.9	173.6	158.8
Equity-accounted companies	97.7	67.8	59.3	96.4	135.5	48.2	65.8
Total income	**637.7**	**638.9**	**607.2**	**640.9**	**684.2**	**641.0**	**581.9**
Labour costs	(137.9)	(144.3)	(145.4)	(154.1)	(144.5)	(159.0)	(150.3)
Administrative expenses	(133.5)	(145.9)	(145.8)	(155.0)	(138.1)	(149.5)	(149.5)
Operating costs	**(271.4)**	**(290.2)**	**(291.2)**	**(309.1)**	**(282.6)**	**(308.5)**	**(299.8)**
Gains (losses) on disposal of equity holdings	—	—	—	—	—	—	—
Loan loss provisions	(58.8)	(50.7)	(51.9)	(61.2)	(65.1)	(44.4)	(100.0)
Provisions for other fin. assets	4.1	(15.0)	4.9	3.9	3.9	4.8	(41.0)
Other income (losses)	—	(11.1)	(26.1)	(16.8)	0.2	(16.0)	(40.5)
Profit before tax	**311.6**	**271.9**	**242.9**	**257.7**	**340.6**	**276.9**	**100.6**
Income tax for the period	(64.4)	(65.2)	(66.3)	(60.6)	(67.8)	(78.3)	(16.4)
Minority interest	(1.8)	(1.6)	(1.1)	(0.1)	(2.2)	(1.6)	0.4
Net profit	**245.4**	**205.1**	**175.5**	**197.0**	**270.6**	**197.0**	**84.6**

MEDIOBANCA

3. Restated balance sheet

Mediobanca Group (€m)	30/06/19	31/12/19	31/03/2020
Assets			
Financial assets held for trading	9,765.7	12,526.8	9,244.6
Treasury financial assets	10,170.2	9,089.3	7,516.1
Banking book securities	6,695.9	6,774.9	7,264.4
Customer loans	44,393.7	46,250.4	47,442.3
Corporate	*15,560.8*	*15,302.2*	*16,549.3*
Specialty Finance	*2,304.5*	*2,739.2*	*2,392.3*
Consumer credit	*13,223.0*	*13,698.4*	*13,657.3*
Mortgages	*9,001.9*	*9,814.2*	*10,069.3*
Private banking	*2,351.9*	*2,813.3*	*2,938.7*
Leasing	*1,951.6*	*1,883.1*	*1,835.4*
Equity investments	3,980.3	4,608.4	4,425.9
Tangible and intangible assets	1,187.6	1,405.8	1,408.5
Other assets	2,051.3	1,803.5	1,891.1
Total assets	**78,244.7**	**82,459.1**	**79,192.9**
Liabilities			
Funding	51,393.2	52,093.5	53,899.3
MB bonds	*18,531.3*	*19,361.7*	*19,239.9*
Retail deposits	*15,032.0*	*14,459.6*	*15,051.6*
Private Banking deposits	*7,417.6*	*7,445.6*	*7,310.2*
ECB	*4,322.4*	*4,311.4*	*4,658.8*
Banks and other	*6,089.9*	*6,515.2*	*7,638.8*
Treasury financial liabilities	6,565.6	7,429.2	4,205.3
Financial liabilities held for trading	8,027.8	10,331.1	8,670.3
Other liabilities	2,168.9	2,097.2	2,149.4
Provisions	190.3	166.0	161.1
Net equity	9,898.9	10,342.1	10,107.5
Minority interest	*89.7*	*91.7*	*91.3*
Profit for the period	*823.0*	*467.6*	*552.2*
Total liabilities	**78,244.7**	**82,459.1**	**79,192.9**
CET 1 capital	6,524.4	6,660.5	6,565.0
Total capital	8,085.6	8,072.8	7,908.4
RWA	46,309.9	47,089.2	47,292.3

4. Consolidated shareholders' equity

Net equity (€m)	30/06/19	31/12/19	31/03/2020
Share capital	443.6	443.6	443.6
Other reserves	7,945.1	8,293.6	8,230.5
Valuation reserves	597.5	1,045.6	789.9
- of which: Other Comprehensive Income	*84.6*	*103.7*	*25.4*
cash flow hedge	*(45.0)*	*(20.2)*	*(25.8)*
equity investments	*560.6*	*964.8*	*788.5*
Minority interest	89.7	91.7	91.3
Profit for the period	823.0	467.6	*552.2*
Total Group net equity	**9,898.9**	**10,342.1**	**10,107.5**

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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	March 9m
Ratios (%)							
Total assets / Net equity	8.1	8.2	8.3	7.9	8.3	8.0	7.8
Loans / Funding	0.85	0.85	0.83	0.86	0.86	0.89	0.88
RWA density (%)	63.4	62.1	59.3	59.2	56.1	57.1	59.7
CET1 ratio	14.2	13.9	14.3	14.1%	14.2%	14.1%	13.9%
Total capital	17.9	17.4	17.8	17.5%	17.4%	17.1%	16.7%
S&P Rating	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Fitch Rating	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Moody's Rating	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1
Cost / Income	42.6	44.0	45.3	46.0	41.3	44.6	46.7
Bad Loans (*sofferenze*)/Loans ratio (%)	0.3	0.3	0.3	0.2	0.2	0.2	0.2
EPS	0.28	0.51	0.71	0.93	0.31	0.53	0.62
EPS adj.	0.27	0.52	0.74	0.97	0.25	0.52	0.71
BVPS	10.2	10.1	10.2	10.6	10.9	11.3	11.0
TBVPS	9.4	9.3	9.3	9.6	9.9	10.3	10.0
ROTE adj. (%)				10.2			
DPS				0.47			
No. shares (m)	887.0	887.0	887.2	887.2	887.2	887.2	887.2

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

9m – March 20 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	203.7	711.3	202.6	(5.3)	(40.8)	1,081.7
Net treasury income	5.4	—	58.9	8.1	19.0	88.6
Net fee and commission income	234.5	93.7	174.2	—	9.0	487.3
Equity-accounted companies	—	—	—	249.5	—	249.5
Total income	**443.6**	**805.0**	**435.7**	**252.3**	**(12.8)**	**1,907.1**
Labour costs	(177.2)	(75.7)	(111.5)	(2.6)	(86.9)	(453.8)
Administrative expenses	(160.8)	(150.8)	(101.3)	(0.7)	(37.7)	(437.1)
Operating costs	**(338.0)**	**(226.5)**	**(212.8)**	**(3.3)**	**(124.6)**	**(890.9)**
Gains (losses) on disposal of equity holdings	—	—	—	—	—	—
Loan loss provisions	(11.8)	(204.1)	12.7	—	(6.3)	(209.5)
Provisions for other financial assets	(0.9)	—	—	(31.7)	0.4	(32.3)
Other income (losses)	1.8	(4.7)	—	—	(52.5)	(56.3)
Profit before tax	**94.7**	**369.7**	**235.6**	**217.3**	**(195.8)**	**718.1**
Income tax for the period	(27.5)	(121.8)	(78.4)	8.0	55.9	(162.5)
Minority interest	(0.7)	—	(2.0)	—	(0.6)	(3.4)
Net profit	**66.5**	**247.9**	**155.2**	**225.3**	**(140.5)**	**552.2**
Loans and advances to Customers	13,008.0	13,657.3	18,941.6	—	1,835.4	47,442.3
RWAs	4,713.6	12,880.6	20,765.8	5,694.5	3,237.7	47,292.3
No. of staff	2,000	1,440	633	11	815	4,899

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

9m – March 19 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	194.2	674.5	204.7	(5.3)	(36.7)	1,047.0
Net treasury income	5.4	—	98.4	11.4	35.3	150.5
Net fee and commission income	209.9	95.4	174.8	—	8.1	461.5
Equity-accounted companies	—	—	—	224.8	—	224.8
Total income	**409.5**	**769.9**	**477.9**	**230.9**	**6.7**	**1,883.8**
Labour costs	(164.7)	(73.6)	(100.9)	(2.9)	(85.5)	(427.6)
Administrative expenses	(157.7)	(142.8)	(96.6)	(0.8)	(41.8)	(425.2)
Operating costs	**(322.4)**	**(216.4)**	**(197.5)**	**(3.7)**	**(127.3)**	**(852.8)**
Gains (losses) on disposal of equity holdings	—	—	—	—	—	—
Loan loss provisions	(6.8)	(174.5)	25.0	—	(5.1)	(161.4)
Provisions for other financial assets	0.2	—	2.2	(6.5)	(2.7)	(6.0)
Other income (losses)	0.9	—	—	—	(37.2)	(37.2)
Profit before tax	**81.4**	**379.0**	**307.6**	**220.7**	**(165.6)**	**826.4**
Income tax for the period	(23.2)	(122.9)	(99.0)	(1.9)	51.6	(195.9)
Minority interest	(2.2)	—	—	—	(2.3)	(4.5)
Net profit	**56.0**	**256.1**	**208.6**	**218.8**	**(116.3)**	**626.0**
Loans and advances to Customers	11,189.2	12,974.4	17,148.9	—	1,997.0	43,309.5
RWAs	4,307.8	12,247.6	19,982.7	6,085.0	3,853.1	46,476.2
No. of staff	1,901	1,422	567	10	809	4,709

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7. Wealth Management

Wealth Management (€m)	9 mths 31/03/19	9 mths 31/03/20	Chg.%
Net interest income	194.2	203.7	4.9%
Net trading income	5.4	5.4	0.0%
Net fee and commission income	209.9	234.5	11.7%
Equity-accounted companies	—	—	n.m.
Total income	**409.5**	**443.6**	**8.3%**
Labour costs	(164.7)	(177.2)	7.6%
Administrative expenses	(157.7)	(160.8)	2.0%
Operating costs	**(322.4)**	**(338.0)**	**4.8%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(6.8)	(11.8)	73.5%
Provisions for other financial assets	0.2	(0.9)	n.m.
Other income (losses)	0.9	1.8	n.m.
Profit before tax	**81.4**	**94.7**	**16.3%**
Income tax for the period	(23.2)	(27.5)	18.5%
Minority interest	(2.2)	(0.7)	-68.2%
Net profit	**56.0**	**66.5**	**18.8%**
Loans and advances to customers	11,017.3	13,008.0	18.1%
New loans (mortgages)	1,234.2	1,791.0	45.1%
TFA (Stock)	61.3	60.2	-1.8%
-AUM/AUA	39.1	37.8	-3.3%
-Deposits	22.2	22.4	0.9%
AUC	6.7	4.9	-26.9%
TFA (Net New Money)	5.5	1.9	-65.5%
-AUM/AUA	2.1	1.9	-9.5%
-Deposits	3.4	—	n.m.
No. of staff	1,901	2,000	5.2%
RWAs	4,307.8	4,713.6	9.4%
Cost / income ratio (%)	0.8	0.8	
Bad Loans (sofferenze)/Loans ratio (%)	0.7	0.3	
ROAC	16%	21%	

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8. Consumer Banking

Consumer Banking (€m)	9 mths 31/03/19	9 mths 31/03/20	Chg.%
Net interest income	674.5	711.3	5.5%
Net trading income	—	—	n.m.
Net fee and commission income	95.4	93.7	-1.8%
Equity-accounted companies	—	—	n.m.
Total income	**769.9**	**805.0**	**4.6%**
Labour costs	(73.6)	(75.7)	2.9%
Administrative expenses	(142.8)	(150.8)	5.6%
Operating costs	**(216.4)**	**(226.5)**	**4.7%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(174.5)	(204.1)	17.0%
Provisions for other financial assets	—	—	n.m.
Other income (losses)	—	(4.7)	n.m.
Profit before tax	**379.0**	**369.7**	**-2.5%**
Income tax for the period	(122.9)	(121.8)	-0.9%
Minority interest	—	—	n.m.
Net profit	**256.1**	**247.9**	**-3.2%**
Loans and advances to customers	12,974.4	13,657.3	5.3%
New loans	5,396.0	5,557.5	3.0%
No. of branches	172	172	0.0%
No. of agencies	24	40	66.7%
No. of staff	1,422	1,440	1.3%
RWAs	12,247.6	12,880.6	5.2%
Cost / income ratio (%)	28.1%	28.1%	
Bad Loans (sofferenze)/Loans ratio (%)	0.1	0.1	
ROAC	31%	29%	

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9. Corporate & Investment Banking

Corporate & Investment Banking (€m)	9 mths 31/03/19	9 mths 31/03/20	Chg.%
Net interest income	204.7	202.6	-1.0%
Net treasury income	98.4	58.9	-40.1%
Net fee and commission income	174.8	174.2	-0.3%
Equity-accounted companies	—	—	n.m.
Total income	**477.9**	**435.7**	**-8.8%**
Labour costs	(100.9)	(111.5)	10.5%
Administrative expenses	(96.6)	(101.3)	4.9%
Operating costs	**(197.5)**	**(212.8)**	**7.7%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	25.0	12.7	-49.2%
Provisions for other financial assets	2.2	—	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**307.6**	**235.6**	**-23.4%**
Income tax for the period	(99.0)	(78.4)	-20.8%
Minority interest	—	(2.0)	n.m.
Net profit	**208.6**	**155.2**	**-25.6%**
Loans and advances to customers	17,320.8	18,941.6	9.4%
of which purchased NPL (MBCreditSolutions)	356.1	352.8	-0.9%
No. of staff	567	633	11.6%
RWAs	19,982.7	20,765.8	3.9%
Cost / income ratio (%)	41.3%	48.8%	
Bad Loans (sofferenze)/Loans ratio (%)	0.0	0.0	
ROAC	15%	11%	

10. Principal Investing

PI (€m)	9 mths	9 mths	Chg. %
	31/03/19	31/03/20	
Net interest income	(5.3)	(5.3)	0.0%
Net treasury income	11.4	8.1	-28.9%
Net fee and commission income	—	—	n.m.
Equity-accounted companies	224.8	249.5	11.0%
Total income	**230.9**	**252.3**	**9.3%**
Labour costs	(2.9)	(2.6)	-10.3%
Administrative expenses	(0.8)	(0.7)	-12.5%
Operating costs	**(3.7)**	**(3.3)**	**-10.8%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	—	—	n.m.
Provisions for other financial assets	(6.5)	(31.7)	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**220.7**	**217.3**	**-1.5%**
Income tax for the period	(1.9)	8.0	n.m.
Minority interest	—	—	n.m.
Net profit	**218.8**	**225.3**	**3.0%**
Equity investments	3,100.2	3,707.8	19.6%
Other investments	647.3	616.4	-4.8%
RWAs	6,085.0	5,694.5	-6.4%
ROAC	15%	14%	

11. Holding Functions

Holding Functions (€m)	9 mths	9 mths	Chg. %
	31/03/19	31/03/20	
Net interest income	(36.7)	(40.8)	11.2%
Net treasury income	35.3	19.0	-46.2%
Net fee and commission income	8.1	9.0	11.1%
Equity-accounted companies	—	—	n.m.
Total income	**6.7**	**(12.8)**	**n.m.**
Labour costs	(85.5)	(86.9)	1.6%
Administrative expenses	(41.8)	(37.7)	-9.8%
Operating costs	**(127.3)**	**(124.6)**	**-2.1%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	(5.1)	(6.3)	23.5%
Provisions for other financial assets	(2.7)	0.4	n.m.
Other income (losses)	(37.2)	(52.5)	41.1%
Profit before tax	**(165.6)**	**(195.8)**	**18.2%**
Income tax for the period	51.6	55.9	8.3%
Minority interest	(2.3)	(0.6)	-73.9%
Net profit	**(116.3)**	**(140.5)**	**20.8%**
Loans and advances to customers	1,997.0	1,835.4	-8.1%
Banking book securities	6,873.0	6,041.9	-12.1%
RWAs	3,853.1	3,237.7	-16.0%
No. of staff	809	815	0.7%

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12. Statement of comprehensive income

		9 mths 31/03/19	9 mths 31/03/20
10.	**Gain (loss) for the period**	**629.3**	**553.0**
	Other income items net of tax without passing through profit and loss	**19.1**	**(26.8)**
20.	Equity instruments designated at fair value through other comprehensive income	12.7	(8.0)
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	(1.9)	0.6
80.	Non-current assets and disposal groups classified as held for sale	—	—
90.	Portion of valuation reserves from investments valued at equity method	8.3	(19.4)
	Other income items net of tax passing through profit and loss	**(364.6)**	**220.5**
100.	Foreign investment hedges	—	—
110.	Exchange rate differences	4.2	7.6
120.	Cash flow hedges	(13.8)	16.0
130.	Hedging instruments (non-designated items)	—	—
140.	Financial assets (different from equity instruments) at fair value through other comprehensive Income [1]	(14.4)	(50.4)
150.	Non-current assets and disposal groups classified as held for sale	—	—
160.	Part of valuation reserves from investments valued at equity method	(340.6)	247.3
170.	**Total other income items net of tax**	**(345.4)**	**193.7**
180.	**Comprehensive income (Item 10+170)**	**283.8**	**746.7**
190.	Minority interest in consolidated comprehensive income	3.4	1.3
200.	**Consolidated comprehensive income attributable to Mediobanca S.p.A.**	**280.4**	**745.4**

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

Mediobanca S.p.A. (€m)	9 mths	9 mths	Chg.%
	31/03/19	31/03/20	
Net interest income	67.7	72.5	7.1%
Net treasury income	144.0	83.5	-42.0%
Net fee and commission income	182.2	176.0	-3.4%
Dividends on investments	—	2.9	n.m.
Total income	**393.9**	**334.9**	**-15.0%**
Labour costs	(179.7)	(170.1)	-5.3%
Administrative expenses	(134.5)	(133.3)	-0.9%
Operating costs	**(314.2)**	**(303.4)**	**-3.4%**
Gains (losses) on disposal of equity holdings	—	—	n.m.
Loan loss provisions	45.5	43.2	-5.1%
Provisions for other financial assets	(8.0)	(32.0)	n.m.
Impairment on investments	(1.9)	(4.6)	n.m.
Other income (losses)	(21.2)	(30.3)	42.9%
Profit before tax	**94.1**	**7.8**	**n.m.**
Income tax for the period	(35.9)	(10.6)	n.m.
Net profit	**58.2**	**(2.8)**	**n.m.**

Mediobanca S.p.A. (€m)	30/06/2019	31/12/2019	31/03/2020
Assets			
Financial assets held for trading	10,047.3	12,763.2	9,590.0
Treasury financial assets	11,517.4	11,011.1	9,082.1
Banking book securities	10,779.3	10,320.3	10,377.3
Customer loans	28,671.0	28,542.2	29,844.8
Equity Investments	3,876.5	4,102.1	4,048.6
Tangible and intangible assets	147.6	174.0	171.4
Other assets	869.0	725.9	875.3
Total assets	**65,908.1**	**67,638.8**	**63,989.5**
Liabilities and net equity			
Funding	42,753.7	42,471.7	44,825.4
Treasury financial liabilities	8,636.2	8,910.7	4,676.2
Financial liabilities held for trading	8,280.3	10,563.5	9,007.7
Other liabilities	925.1	767.7	763.2
Provisions	126.0	103.6	103.8
Net equity	4,800.6	4,751.2	4,616.0
Profit of the period	386.2	70.4	(2.8)
Total liabilities and net equity	**65,908.1**	**67,638.8**	**63,989.5**

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

Head of Company Financial Reporting

Emanuele Flappini

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