MEDIOBANCA

BofAML 23nd Annual Financial CEO Conference

"Financials in a diverging world"

London, September 2018

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Mediobanca: a diverging player…

1

…from previous business model,
by indepth reshaping

From HoldCo to banking group

Focus on high-margin, specialized, growing businesses

2

…from Italian banks,
by sensitivity to macro

MB growth driven by long-standing trends

3

…from European banks,
by focus on
Specialized & growing segments

Effective business model
High revenue visibility & sustainability

1

MB DIVERGING FROM PREVIOUS BUSINESS MODEL BY INDEPTH RESHAPING

From HoldCo to Banking Group...

- **In last decade €3bn of equity stakes sold and capital reallocated into core banking businesses…**
- **…fostering significant revenues/profit growth despite the crisis,** coupled with:
  - **good profitability:** ROTE at 10%
  - **no compromise on asset quality**: Texas 13%
  - **no capital increases** (last in 1998)
  - **always paying dividends**

…focused on high-margin, specialized growing businesses…

- **Focus on Wealth Management, Consumer Banking, Advisory…**
- **…all repaying CoE with double digit ROAC:**
  - WM @ 13%
  - Consumer @ 30%
  - CIB @ 14%
  - PI @ 15%
- **RWA density down from 106% to 66%** since Basel III adoption

…producing effective corporate/retail and income sources diversification High revenue visibility and sustainability

- Effective corporate/retail diversification. **Retail** (WM + Consumer banking) contribution significantly increased, now
  - **at ~60% of loan book, funding and revenues**
  - **at ~40% of net profit**
- Effective income sources diversification with
  - **70% of net interest income from Consumer**
  - **50%:50% of fee income from WM:CIB**

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2

MB diverging from Italian banks by sensitivity to macro

Low CET1 sensitivity to spread increase

- **Low direct exposure to Italian govies:** €2.7bn or ~40% of CET1 vs ~90% avg of ITA banks. Duration 2.6Y
- **Low CET1 sensitivity:** -8bps @ +100bps in spread
- **No "indirect" exposure through Ass.Generali.** AG proprietary exposure almost fully hedged through CET1 deduction mechanism

Cost of funding expected to stay low

- **Group funding effectively diversified** by channels, customers and instruments
- **High liquidity** (LCR ratio at 186%), **high free eligible assets** (over €10bn) representing more than two years' bond maturities (€3bn/4bn per year)
- **MB bonds: cost of new issues still expected lower than historical cost** (@160bps) of €3.5bn bonds expiring in 2019

Superior asset quality

- **NPLs/Ls at 4.6% gross, 2.1% net**
- **Texas ratio 13%**
- **EPS growth not reliant on NPLs disposals**

High capital generation

- **CET1 FY18 at 14.2%**[1], up 200bps over past 2Y.
- **No regulatory impact on CET1 expected going forward**

Limited dependency on ITA GDP growth

- **Consumer banking growth uncoupled from ITA GDP trend**
- **CIB loan: 75% to non-domestic corporates** or to ITA companies having more than 50% of turnover outside Italy

1) CET1 fully loaded (without Danish Compromise) @ 13,1%.

3

MB DIVERGING FROM EU BANKS BY FOCUS ON HIGHLY-SPECIALIZED PROFITABLE BUSINESSES WHERE GROWTH IS DRIVEN BY LONG-STANDING TRENDS

GROWTH in WEALTH MANAGEMENT both organic and trough M&A

- **Distribution empowering** with FA network, wealth advisors and digital platform
- **Significant M&A activity** (Cairn, RAM, 50% Banca Esperia & Barclays ITA activities) **in last 4Y to set up a scalable platform**
- **More K available to be invested in the division**

GROWTH in CONSUMER BANKING both in Italy and abroad

- **Impressive and progressive growth over the cycle** (net profit up 10x in last 10Y, to current €320m) **with unaltered value approach**
- **Distinctive competences now ready to be leveraged internationally** (20% stake in BFI Indonesia acquired in August 18), **seeding a second new-growth market in addition to Italy**

GROWTH in CIB due to market opportunities and PB-IB mid.platf.

- **Platform enhancing** for all products, especially advisory business, **to leverage market opportunities**
- Extending footprint to **mid-cap segment due to effective IB-PB dual coverage**

PRINCIPAL INVESTMENT Redeployment of capital ongoing

- **Ass.Generali stake: profitable investment** in all regulatory scenarios, **accretive for Group EPS, DPS, BV**
- **Progressive AG disposal:** source of capital to be redeployed into core businesses

Mediobanca: well positioned in European landscape for delivering extra-growth

In last 3Y MB top performer in Europe for revenue growth[1] (3Y CAGR: +6%), both in NII (3Y CAGR +6% - the only ITA bank growing) and fees (3Y CAGR +10%)

MB best in class for profitability (ROTE[1] at 10%) and capital ratio (CET1>14%) allowing satisfactory shareholders remuneration (dividend yield 6%).

Fee income
Growth and reshuffle

- **Fee income expected to grow also in 2019** driven by CIB and WM development, now contributing 50%:50% each

Net interest income
Growth and reshuffle

- **NII expected to grow in 2019 as well,** driven by Consumer lending (70% of group NII) and growth in mortgages, with CoF under control

Profitability

- **MB ROTE at 10%,** well positioned in the European and Italian landscape

Shareholder remuneration

- **Shareholder remuneration increased**
  - **through ordinary payout:** from 38% to 43% in 2017, to 48% in 2018
  - **through buyback:** up to 3% of share capital in 18m

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