MEDIOBANCA

Mediobanca
Board of Directors' meeting

Milan, 8 February 2017

MEDIOBANCA

Financial statements for six months ended 31/12/16 approved

Net profit up 30% to €418m, ROTE 10%

Revenues at all-time highs, up 6% to €1,072m

GOP[1] up 14% to €425m, 3Y CAGR[2] +27%

Cost of risk down 34 bps to 102 bps

Revenues and profits up in all business segments

CET1 up to 12.3%

- **In the six months ended on 31 December 2016, the MB Group delivered a 30% increase in net profit (from €321m to €418m) and a 14% increase in GOP (from €372m to €425m). This performance was driven by a combination of growing revenues, cost control and an ongoing reduction in the cost of risk in all business lines. The main income sources performed as follows:**
  - **Consolidated revenues were up 6%, at €1,072m, an all-time high for the Mediobanca Group**. **Net interest income rose by 5%** to €636m, driven by substantial, 13% growth in consumer credit (to €408m), which now generates 65% of the Group total; and **net fee and commission income was up 4%** (to €237m), on a higher contribution from Wealth Management (up 43%, from €63m to €90m); with the consolidation of acquired companies Barclays and Cairn Capital, this division now generates approx. 40% of the Group's fee income;
  - **Costs were flat like-for-like**, and rose from €420m to €464m solely as a result of the consolidation of the newly-acquired companies. The 7% reduction in costs at the Holding Functions division, along with the stability in CIB and WM, offset the 5% rise in costs in consumer credit due to the higher business volumes;
  - **Loan loss provisions were down 18%** (from €224m to €184m) and the **cost of risk stood at 102 bps** (down from 136 bps), **in line with pre-crisis levels**; the trend in asset quality was positive in all divisions, in particular in WB (where the cost of risk is now virtually zero) and consumer credit (cost of risk down from 351 bps to 286 bps); **the coverage ratios improved, for NPLs** (to 55%), **bad debts** (to 69%), **and performing loans** (to 1.1% for the Group, and to 2.5% for consumer credit); and the **Texas ratio**[3] declined to 15%;

1 GOP: sum of revenues, costs and loan loss provisions.

2 CAGR: Compounded Average Growth Rate.

3 Texas ratio: net NPLs/Common Equity Capital (CET1).

- **GOP net of cost of risk has risen by 14% in one year** (from €372m to €425m) and **by 27% in the last three years** (CAGR), **bearing out the positive trend in the Group's results;**
- **Net profit rose by 30% to €418m,** including non-recurring items totalling €93m, which reflect:
  - €114m in gains on disposal/writedowns to AFS shares deriving chiefly from the **sale of half the stake owned in Atlantia**;
  - **€50m as a one-off contribution of to the Single Resolution Fund;**
  - **€29m** in net income booked following allocation of the badwill deriving from the Barclays acquisition (PPA);
- **MB Group ROTE**[4] **increased from 8% to 10%**. **All the divisions show an improvement in profits**, with the sole exception of HF which reported a loss of €123m (€93m), due to higher holdings of liquid assets in a negative interest rate scenario:
  - **CIB**: net profit up 19% to €126m – **ROAC**[5] up from 9% to **11%**
  - **Consumer**: net profit up 75% to €123m – **ROAC** up from 16% to **24%**
  - **Wealth Management**: TFA up to €51bn (up 20% on end-June 2016), net profit doubled, from €24m to €49m (€22m of which PPA) – **ROAC** stable at **10%**
  - **Principal Investing**: net profit up 5% to €242m – **ROAC 15%**
- The Group's capital solidity and low risk profile are reflected in the **ECB's decision to assign Mediobanca, for the second year running, a SREP capital ratio which was lower than the previous year. SREP 2016 was set at 7% for the CET1 ratio (phase-in) and at 10.5% for the total capital ratio.** These levels rank Mediobanca among the best banks at European level, and are significantly lower than the capital ratios[6] actually reported by the Group at 31/12/16:
  - **CET1: 12.3% phase-in, 12.8% fully-phased**
  - **Total capital: 15.7% phase-in, 16.4% fully-phased.**[7]

- Significant events that took place during the six months include the approval, on 16 November 2016, **of the MB Group's 2016-19 strategic guidelines, and announcement of the acquisition of 100% of Banca Esperia,** which is functional to developing the new Wealth Management division.

4 ROTE: net profit/average tangible equity (K_T). K_T= Net equity less goodwill less other intangible assets.

5 ROAC: net profit adjusted for non-recurring items/capital allocated (K). K= 9% * RWAs plus deductions from CET1.

6 Including profit for the period net of estimated dividend pending authorization from ECB.

7 Full application of the CRR rules – in particular the right to include the entire AFS reserve in the calculation of CET1 – and the Assicurazioni Generali investment being weighted at 370%.

With Renato PAGLIARO in the Chair, the Directors of Mediobanca approved the Group's financial statements for the six months ended 31 December 2016, as illustrated by Chief Executive Officer Alberto NAGEL.

Consolidated results

In the six months ended 31 December 2016, the MB Group delivered a 30.2% increase in net profit, from €321.1m to €418.2m, and a 14% increase in GOP (from €372m to €425m). This performance was driven by a combination of growing revenues, cost control and the continuing reduction in the cost of risk in all business lines. At the operating level, **GOP** net of cost of risk has delivered a **27% CAGR in the last three years**, showing the **sustainability of the Group's progressively increasing results.**

Total revenues were up 5.5%, from €1,016.3m to €1,072.4m, **representing the highest level ever recorded by the Mediobanca Group**, with the main income items performing as follows:

- **Net interest income** rose by 5.2%, from €604.3m to €635.6m, reflecting growth of 12.6% in Consumer Banking (from €362.8m to €408.4m) and of 24.9% in Wealth Management (from €94.1m to €117.5m), which more than offset the reduction in Holding Functions (minus €47.1m, compared with minus €11.5m last year);

- **Net treasury income** climbed from €45.8m to €63.8m, despite €13.3m in losses on bond buybacks; the result was buoyed by gains on disposals of AFS securities (€17.1m) and by trading book activity, which added €54.1m (€24m);

- **Net fee and commission income** totalled €236.8m, up slightly on the €227.4m reported last year, driven by the performances of Cairn Capital (€11.7m) and CheBanca! (up from €20.5m to €31.5m, including €8.3m contributed by the former Barclays business unit), offsetting the reduction in fees earned from Wholesale Banking (from €116m to €86.8m) due to lower capital market activity volumes;

- The contribution from **equity-accounted companies** remained virtually unchanged at €136.2m (€138.8m).

Operating costs rose by 10.4%, from €419.8m to €463.5m, reflecting approx. €38.5m in respect of the new entities. On a **like-for-like basis overheads would have been virtually unchanged (up 1.2%).**

Loan loss provisions fell by 18.1%, from €224.4m to €183.7m, reflecting a widespread improvement in the loan book risk profile, in Consumer Banking in particular (where provisioning declined from €184.1m to €159m) and Wholesale Banking (where €1.6m was written back, compared with €18.5m in adjustments taken last year). The cost of risk therefore fell to 102 bps (31/12/15: 136 bps; 30/6/16: 124 bps), on higher coverage ratios: up from 54% to 55% for the non-performing assets, and up from 1% to 1.1% for performing items.

Net gains on the securities portfolio include the gains realized on tendering the Bank's investment in Atlantia (€110.4m) and other minor investments. Conversely, the provisions for other financial assets, which totalled €7.9m (compared with €12.8m) chiefly consist of collective adjustments in respect of banking book securities (€5.8m).

Other provisions and charges of €26.2m include the €50m one-off contribution to the Single Resolution Fund (required as part of the measures to support Banca delle Marche, Banca Popolare dell'Etruria, Cassa di Risparmio di Chieti, and Cassa di Risparmio di Ferrara), plus €4.5m as the compulsory contribution to the Deposit Guarantee Scheme (DGS), and €29.4m in non-recurring income in connection with the Barclays Italy acquisition.

Turning now to the **balance-sheet data**, total assets grew from €69.8bn to €73.5bn, as a result in particular of the Barclays acquisition. The individual asset headings reflect the following performances:

- **Loans and advances to customers rose from €34.7bn to €37.6bn,** due to the mortgage loans acquired from Barclays (€2.4bn), and to growth in Consumer Banking (where lending was up €250m) and Speciality Finance (up €280m). Net non-performing assets remained at very low levels, and declined still further as a percentage of the total loan book, from 2.7% to 2.5%, with the coverage ratio edging up from 54% to 55%. The increase in non-performing mortgages (from €148.5m to €176.5m) reflects the addition of Barclays, with its €26.9m in overdue and unlikely-to-pay exposures. This heading does not include the portfolios of NPLs acquired, which rose from €70.5m to €76.7m. Net bad loans declined to €167.8m (€184.6m), and account for just 0.45% (0.53%) of the total loan book.

- **Funding increased from €46.7bn to €49.7bn,** due to Barclays which added €2.9bn, driving retail deposits to €13.8bn, now 28% of the consolidated funding; the other forms of funding (i.e. bonds and ECB deposits) were stable;

- Debt securities held as part of the banking book declined from €9.9bn to €8.3bn, compensated for by the increase in net treasury assets which climbed from €5.5bn to €7.8bn, in particular for short-term liquidity (LCR up from 220% at end-September to 370% at end-December 2016);

- Total Financial Assets (TFA) of customers in connection with Wealth Management activities, including direct funding, rose from €42.2bn to €50.6bn; AUM/AUA climbed to €21.3bn (€17.4bn), split between Private Banking (€14.4bn, versus €13.5bn last year) and the Affluent & Premier segment (CheBanca!) which rose from €3.9bn to €6.9bn following the acquisitions of Barclays (€2.8bn) and the Cairn Capital funds (flat at €2bn).

- **The Group's capital ratios**,[8] including the profit for the six months and net of the estimated pay-out (40% of net profit), remain at high levels and comfortably above the regulatory limits:

  - Phase-in: CET1 ratio 12.27% (30/6/16: 12.08%) and total capital ratio 15.74% (15.27%)

  - Fully-phased:[9] CET1 ratio 12.82% and total capital ratio 16.41%.

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The ECB, following the outcome of the **SREP 2016** process, set the minimum phase-in CET1 ratio to be complied with at the consolidated level at 7%, and the total capital ratio at 10.5%. Compared to last year these ratios are assisted by the phase-in regime for the capital conservation buffer, and even though they increase to 8.25% and 11.75% respectively fully-phased, they are still much lower than last year (CET1 ratio limit: 150 bps lower phase-in, 50 bps lower fully-phased). The ECB's decision also reflects the results of the stress tests, which confirmed the Group's solidity even in stressed conditions. In the adverse scenario, in 2018 the impact on CET1 is just 94 basis points, one of the lowest levels recorded by any EU bank.

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8 Includes profit for the period net of the estimated dividend; pending authorization from the ECB.

9 Full application of the CRR rules – in particular the right to include the entire AFS reserve in the calculation of CET1 – and the Assicurazioni Generali investment being weighted at 370%.

Divisional results

With the new strategic plan coming into force, the Group's operations are now structured into five separate divisions:

- **Corporate & Investment Banking (CIB):** this division brings together all services provided to corporate clients in the following areas: Wholesale Banking (lending, advisory, capital markets activity and proprietary trading); and Specialty Finance (factoring and credit management, including NPL portfolios);

- **Consumer Banking (CB):** this division provides retail clients with the full range of consumer credit products, ranging from personal loans to salary-backed finance (Compass and Futuro);

- **Wealth Management (WM):** this division brings together all activities addressed to **private clients and high net worth individuals** (Compagnie Monégasque de Banque, Banca Esperia and Spafid) and asset management services provided to **affluent & premier** customers (CheBanca!); the division also includes Cairn Capital (**Alternative AM**);

- **Principal Investing (PI):** this division brings together the Group's portfolio of equity investments and holdings, including the stake in Assicurazioni Generali;

- **Holding Functions** (formerly the Corporate Centre): this division houses the Group's Treasury and ALM activities (which previously were included in the CIB division); it also includes all costs relating to Group staffing and management functions, most of which were also previously allocated to CIB, and continues to include the leasing operations.

1. Corporate &Investment banking: net profit up 19% to €126m, ROAC 11%

Corporate and Investment Banking reported a net profit of €126.2m (31/12/15: €106.3m), on a 2.8% increase in revenues, a slight reduction in costs, and lower loan loss provisions and writedowns to securities (totalling €12.2m. compared with €24.5m last year). Both segments showed an improvement in profits: Wholesale Banking from €100.5m to €113.9m, and Specialty Finance from €5.9m to €12.3m.

The ROAC posted by the division increased from 9% to 11%.

1.1. Wholesale Banking: net profit up 13% to €114m, ROAC 11%

The Wholesale Banking division reported a net profit of €113.9m for the six months, higher than the €100.5m posted last year, largely on account of the fact that there were basically no value adjustments. The 2.2% reduction in revenues, from €279m to €272.7m, was mostly absorbed by a 4% reduction in operating costs, from €101m to €97m, with the main income items performing as follows:

- Net interest income fell from €138.6m last year to €132m, as a result of the lower contribution from loans in connection with capital market solutions activities;

- Net fee and commission income was down from €116m to €86.8m, due to the decline in equity activities which are more exposed to market volatility; however, fees were up 30% quarter-on-quarter, and in all segments with the sole exception of equity capital markets; Mediobanca has achieved top position in the domestic and Southern Europe M&A[10] rankings, with market shares of 49.6% and 31.2% respectively. In ECM Mediobanca ranked

10 Source: Thomson Reuters- deals announced from January 2016 to 6 February 2017 in Italy and Southern Europe (defined as Greece, Portugal and Spain).

first in Italy and fourth in Southern Europe, with market shares of 18.1% and 7.8% respectively;[11]

- Net trading income doubled, from €24.3m to €53.9m, split evenly between both business segments (fixed-income and equity) and geographies (Milan and London).

Operating costs fell from €101m to €97m, due to lower amounts being set aside in respect of variable remuneration, which, however, was in part offset by a €2.1m increase in administrative expenses.

Provisions in respect of financial assets (loans and receivables and held-to-maturity) totalling €18.5m last year compared with writebacks of €1.5m for the six months, due to amounts reimbursed by non-performing accounts with the portfolio asset quality as a whole resilient.

Loans and advances to customers were up 8% Y.o.Y. to €14,2bn, 48% of which with non-Italian counterparties. New loans were up 6%, to €3bn. NPLs were down 7% Y.o.Y. and the coverage ratio rose from 48% to 50%.

1.2. Specialty Finance: profit doubled to €12m, ROAC 23%

Specialty finance delivered a strong increase in profits for the six months, from €5.9m to €12.3m. Higher volumes in factoring and NPL management drove a 55% increase in revenues, from €26.9m to €41.7m, in both the main income items: net interest income climbed 20.2%, while net fees and commissions increased from €9.1m to €20.2m. Operating costs were up 24.6%, from €12.2m to €15.2m, due to consolidation of the division and an increase in collection costs pro rata with the growth in volumes. Loan loss provisions rose from €6m to €10.7m, and include €1.4m in additional adjustments to performing items in line with the new model parameters.

Growth of 32% in loans and advances to customers, from €871m to €1,150m, is attributable to ordinary factoring business (up from €493.8m to €764.7m). Non-performing loans were acquired on a non-recourse basis during the six months for a total of €9.3m (against a nominal value of €158.6m). At the reporting-date net impaired assets totalled €88m, up 9% on the figure posted at 30 June 2016, €76.7m of which in NPL portfolios.

2. Consumer credit: net profit up 75% to €123m, the best half-year performance ever; ROAC 24% (vs 15% at end-Dec. 2015)

The growth of Compass, which is focused on sustainable profitability, is reflected in a net profit of €122.7m for the six months, up sharply on the €70.2m reported last year, the company's best-ever six-monthly performance. The increase in profit was due principally to 12.5% growth in revenues and a 13.6% reduction in loan loss provisions.

Revenues were up from €422.6m to €475.6m, driven by net interest income of €408.4m (€362.8m), boosted by the higher volumes with resilient margins, and by the recovery in fee income (up 12.4%).

The 4.8% increase in costs reflects the new recruitment (labour costs were up 5.3%) and higher volumes (administrative expenses rose by 4.6%); while the cost/income ratio came in at 29%.

Loan loss provisions declined from €184.1m to €159m, **with the cost of risk falling from 351 bps to 286 bps, and the coverage ratio for non-performing loans stable at 73% (while the ratio for performing items rose from 2% to 2.5%).**

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11 Source: Dealogic: deals for bookrunners from January 2016 to 6 February 2017 in Italy and Southern Europe (defined as Greece, Portugal and Spain).

Growth in loans and advances to customers continued during the period to reach €11,244.9m (up 6% Y.o.Y) with new loans for the six months of €3,125.8m (up 5.8%, from €2,953.7m) focused on value creation over time. Non-performing loans remain stable at historically lows levels, coming in at €176.3m (1.6% of loans).

3. Wealth Management: net profit doubled to €49m, ROAC 10%

Wealth Management reported a net profit of €48.8m, higher than last year (€23.7m) due to the expanded area of consolidation: the higher total revenues of €214.3m (€163m) reflect the contributions of both the Barclays business unit (€36.7m) and Cairn Capital (€12.1m); as does the increase in costs, which amounted to €170.7m (€128.1m), €28.7m of which derived from Barclays and €11.6m from Cairn. The result also includes €22.4m which emerged from the allocation of the badwill collected in connection with the Barclays business unit acquisition. CheBanca! reported a sharp increase in net profit from €5.8m to €29.1m for the six months (€6.7m net of the income referred to above), whereas private banking delivered an increase in net profit from €17.9m to €19.7m.

Total Financial Assets (direct funding, AUM/AUA and securities held under custody) totalled €50.6bn, up more than €8bn in the period, on organic growth plus the consolidation of Barclays (adding €5.8bn).

The ROAC posted by this division, adjusted for non-recurring items, was stable at 10%.

3.1. Affluent & Premier (CheBanca!): process of integrating Barclays Italian operations started; net profit up to €29m, ROAC 6%

CheBanca! delivered a net profit of €29.1m (€5.8m), the sharp increase compared to last year being due to the acquisition of Barclays' Italian operations, completed on 26 August 2016. During the six months under review, work began on integrating the Barclays activities, which will continue in the months to come with optimization of the structures and migration to a single operating system.

Revenues climbed 36.9%, from €96.2m to €131.7m, with the new business unit contributing €36.8m. Operating costs rose by 39.1%, €28.7m of which was attributable to Barclays, with labour costs in particular up 48.3% (from €32.1m to €47.6m), reflecting the addition of 564 staff. Loan loss provisions were virtually stable at €9.5m (€8m). During the six months the contribution to the Deposit Guarantee Scheme in favour of Cassa di Risparmio di Cesena was written down by €0.8m. The net profit also includes the €22.4m in non-recurring income in connection with the Barclays acquisition.

Retail funding increased in the six months, from €10.7bn to €13.8bn, and indirect funding from €3.9bn to €6.9bn; both items benefitted from the Barclays transaction, which added €2.9bn and €2.8bn respectively. CheBanca! is one of the top 5 companies in Europe for robo advisory services with AUM net sales of over €160m[12]

Equally, loans and advances to customers also increased, from €5.1bn to €7.4bn, with the Barclays business unit contributing €2.5bn. Non-performing loans rose from €148.5m to €176.5m, almost entirely as a result of the Barclays acquisitions (which added €27.1m in overdue or unlikely to pay positions). New loans for the six months totalled €532.6m (€513.6m).

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12 Source: www.techfluence.eu/investtech.htlm , 8 February 2017

3.2. Private Banking: revenues, profits and AUM all growing, ROAC 18%

Private banking delivered a net profit of €19.7m for the six months, higher than the €17.9m posted last year, due to the consolidation of Cairn Capital, which delivered a small profit of €0.5m for the period, on revenues of €12.1m and costs totalling €11.6m. Revenues increased by 23.7% from €66.8m to €82.6m, reflecting higher fee income (up from €42.6m to €58.7m, or €47m net of Cairn) which offset the reduction in net interest income from €18.4m to €17.5m (linked to decreasing returns on assets). Operating costs were up 23.6% as a result of consolidating Cairn, from €48.4m to €59.8m (€48m on a like-for-like basis).

CMB made a net profit of €17.3m, after gains on the AFS portfolio totalling €2.7m and tax of €2m. Banca Esperia delivered a pro rata net profit of €1.4m, which reflects non-recurring end-of-year provisions totalling €1.2m; while Cairn Capital and Spafid together posted a combined net profit of €1m.

Assets under management/administration at end-December 2016 were up from €13.4bn to €14.4bn, split between CMB with €6bn (€5.3bn), Banca Esperia with €6.4bn (€6bn) and Cairn with €2bn. AUA rose from €10.7bn to €11.4bn, due to growth by Spafid (AUA up from €3bn to €4bn) and Banca Esperia (from €1.6bn to €1.8bn), which offset the reduction in assets administered by Cairn under long-term advice (from €5.9bn to €5.3m).

On 16 November the acquisition was announced of the 50% stake in Banca Esperia owned by the Mediolanum group for a consideration of €141m, to be paid once approval has been received from the relevant authorities. The acquisition forms part of the Group's strategy to grow its presence in the private (WM) and MidCaps (CIB) segments, which represent two main initiatives of the new plan. Integration of Banca Esperia will enable the Mediobanca Group to deliver major cost synergies and to reshape its private banking service offering in Italy. The platform for services to Mid-Corporate clients will also be enhanced, as well as the Group's asset management product factory.

4. Principal Investing: net profit up 5% to €242m, ROAC 14%, sales continue

This division delivered a net profit of €242m (€229.7m), including the gains on the Atlantia disposal (€110.4m in 1Q) and on sales of other AFS shares (€8.5m), with the contribution from Assicurazioni Generali largely unchanged at €134.7m (€138.4).

The book value of the Assicurazioni Generali investment increased from €3,091.8m to €3,346.1m, as a result of the profit for the period (€134.7m) and adjustments to capital (€119.6m) mostly attributable to the valuation reserves (calculated based on the values recorded at 30 September 2016).

The AFS shares declined from €851.9m to €640.4m, following sales of €273.8m, fund redemptions of €9.8m, and other net investments totalling €31.9m (for the most part in connection with seed capital activity for the Cairn funds). The forward sales of Atlantia shares (for delivery in 3Q 2017) continued during the six months, with €6.1m worth of securities (roughly half the stock owned) sold.

5. Holding functions: loss rising to €123m due to higher liquidity (LCR 370%) in a negative interest rate scenario

The Holding Functions division reported a loss of €122.6m, compared with €93m last year, due to higher treasury management expenses (repricing of securities held and more short-term liquidity) only in part offset by the reduction in operating costs (which fell from €75.6m to €70.5m) and extraordinary charges (from €66.4m to €56.3m). The latter refer, once again, to the contributions made the Single Resolution Fund and Deposit Guarantee Scheme referred to above.

The division comprises the Group Treasury and ALM unit, which delivered a loss of €59.5m, as a result of the higher liquidity, and leasing, which delivered a €2.6m net profit for the six months, virtually unchanged from last year (€3m), continuing the controlled lending reduction process.

Mediobanca S.p.A.

Mediobanca S.p.A. earned a net profit of €96.3m in the six months, higher than the €72.4m recorded last year, due to higher gains generated on disposals of investments of €118.9m (€91.5m), and lower one-off contributions to the Single Resolution Fund of €42.6m (€63.7m). Revenues declined by 21.3%, from €242.1m to €190.5m, and reflect and reflect the reductions in net interest and fee income. Conversely, operating costs were down 2.9%, while the loan book reflects €2m in writebacks, compared with the €18.2m charges taken last year, due to a widespread improvement in the risk profile and to amounts collected in respect of certain non-performing accounts.

Milan, 8 February 2017

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Restated consolidated profit and loss accounts

Mediobanca Group (€ m)	6 mths 31/12/2015	6 mths 31/12/2016	Var.%
Net interest income	604.3	635.6	5.2%
Net treasury income	45.8	63.8	39.3%
Net fee and commission income	227.4	236.8	4.1%
Equity-accounted companies	138.8	136.2	-1.9%
Total income	**1,016.3**	**1,072.4**	**5.5%**
Labour costs	(209.7)	(231.1)	10.2%
Administrative expenses	(210.1)	(232.4)	10.6%
Operating costs	**(419.8)**	**(463.5)**	**10.4%**
Gains (losses) on AFS, HTM & LR	92.5	121.7	31.6%
Loan loss provisions	(224.4)	(183.7)	-18.1%
Provisions for other financial assets	(12.8)	(7.9)	-38.3%
Other income (losses)	(71.5)	(26.2)	-63.4%
Profit before tax	**380.3**	**512.8**	**34.8%**
Income tax for the period	(57.2)	(92.9)	62.4%
Minority interest	(2.0)	(1.7)	-15.0%
Net profit	**321.1**	**418.2**	**30.2%**

Quarterly profit and loss accounts

Mediobanca Group	FY 15/16				FY 16/17	
(€ m)	I Q 30/09/2015	II Q 31/12/2015	III Q 31/03/2016	IV Q 30/06/2016	I Q 30/09/2016	II Q 31/12/2016
Net interest income	302.5	301.8	301.4	301.0	314.2	321.4
Net treasury income	26.2	19.6	51.6	35.7	31.8	32.0
Net commission income	95.8	131.6	109.0	113.7	102.2	134.6
Equity-accounted companies	82.6	56.2	40.7	77.2	78.1	58.1
Total income	**507.1**	**509.2**	**502.7**	**527.6**	**526.3**	**546.1**
Labour costs	(98.1)	(111.6)	(110.1)	(121.0)	(107.3)	(123.8)
Administrative expenses	(98.7)	(111.4)	(112.8)	(128.2)	(105.3)	(127.1)
Operating costs	**(196.8)**	**(223.0)**	**(222.9)**	**(249.2)**	**(212.6)**	**(250.9)**
Gains (losses) on AFS equity	88.5	4.0	5.5	26.2	112.0	9.7
Loan loss provisions	(115.4)	(109.0)	(94.4)	(100.1)	(86.8)	(96.9)
Provisions for other fin. assets	(3.5)	(9.3)	(5.7)	(0.9)	(5.9)	(2.0)
Other income (losses)	0.0	(71.5)	(19.8)	(13.0)	(4.8)	(21.4)
Profit before tax	**279.9**	**100.4**	**165.4**	**190.6**	**328.2**	**184.6**
Income tax for the period	(34.5)	(22.7)	(42.9)	(28.6)	(56.7)	(36.2)
Minority interest	(1.1)	(0.9)	(1.2)	0.1	(0.8)	(0.9)
Net profit	**244.3**	**76.8**	**121.3**	**162.1**	**270.7**	**147.5**

1.1 Restated balance sheet

Mediobanca Group (€ m)	31/12/2015	30/06/2016	31/12/2016
Assets			
Financial assets held for trading	13,108.2	9,505.3	10,335.7
Treasury financial assets	9,861.6	8,407.9	10,236.1
AFS equities	928.1	914.3	697.6
Banking book securities	8,696.9	9,890.3	8,272.7
Customer loans	33,018.9	34,738.7	37,598.3
Corporate	*13,209.1*	*14,254.1*	*14,207.8*
Specialty Finance	*782.1*	*871.0*	*1,150.0*
Consumer credit	*10,617.8*	*10,995.2*	*11,244.9*
Mortgages	*4,812.5*	*5,051.3*	*7,441.5*
Private banking	*951.2*	*1,072.6*	*1,191.9*
Leasing	*2,646.2*	*2,494.5*	*2,362.2*
Equity investments	3,113.0	3,193.3	3,441.1
Tangible and intangible assets	765.2	757.8	787.8
Other assets	2,057.0	2,411.0	2,105.6
Total assets	**71,548.9**	**69,818.6**	**73,474.9**
Liabilities			
Funding	44,754.4	46,658.4	49,665.3
MB Bonds	*20,036.6*	*20,310.7*	*19,666.8*
Retail deposits	*10,401.9*	*10,724.1*	*13,841.8*
Private banking deposits	*2,400.4*	*3,002.8*	*3,557.1*
ECB	*5,480.0*	*5,011.0*	*6,511.0*
Banks&other	*6,435.5*	*7,609.7*	*6,088.6*
Treasury financial liabilities	8,049.7	5,254.7	5,337.4
Financial liabilities held for trading	8,559.8	7,141.5	7,413.3
Other liabilities	1,465.4	1,661.9	1,654.1
Provisions	181.2	180.3	261.8
Net equity	8,538.5	8,921.8	9,143.0
Minority interest	*88.7*	*89.2*	*91.8*
Profit for the period	*321.1*	*604.5*	*418.2*
Total liabilities	**71,548.9**	**69,818.6**	**73,474.9**
CET 1 capital[1]	7,288.1	6,504.8	6,602.8
Total capital[1]	9,437.2	8,227.2	8,468.9
RWAs	58,771.1	53,861.6	53,791.5

1Managerial calculation that differs from the one reported in the context of the Common Reporting (COREP) as it includes the result for the period (not subject to authorization ex art. 26 CRR) that represents about 30bps of CET1.

2.1 Ratios (%) and per share data (€)

Mediobanca Group	31/12/2015	30/06/2016	31/12/2016
Total assets/net equity	8.4	7.8	8.0
Loans/deposits	0.7	0.7	0.8
Core tier 1 ratio	12.4	12.1	12.3
Regulatory capital/RWAs	16.1	15.3	15.7
S&P rating	BBB-	BBB-	BBB-
Rating Fitch	BBB+	BBB+	BBB+
Cost/income ratio	41.3	43.6	43.2
Bad loans (*sofferenze*) /loans	0.6	0.5	0.4
EPS (€)	0.37	0.69	0.48
BVPS (€)	9.8	10.2	10.5
DPS (€)		0.27	
No. of shares outstanding (millions)	870.4	871.0	872.8

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

6 mths to 31/12/16 (€ m)	CIB	Consumer	WM	PI	Holding Functions	Group
Net interest income	153.6	408.4	117.5	(3.6)	(47.1)	635.6
Net treasury income	54.0	0.0	6.6	6.8	(0.3)	63.8
Net fee and commission income	107.0	67.2	90.2	0.0	9.1	236.8
Equity-accounted companies	0.0	0.0	0.0	134.7	0.0	136.2
Total income	**314.4**	**475.6**	**214.3**	**137.9**	**(38.3)**	**1,072.4**
Labour costs	(61.7)	(45.5)	(83.0)	(1.6)	(50.2)	(231.1)
Administrative expenses	(50.5)	(91.3)	(87.7)	(0.3)	(20.3)	(232.4)
Operating costs	**(112.2)**	**(136.8)**	**(170.7)**	**(1.9)**	**(70.5)**	**(463.5)**
Gains (losses) on AFS equity	0.0	0.0	3.1	118.9	0.0	1217
Loan loss provisions	(12.2)	(159.0)	(10.7)	0.0	(9.3)	(183.7)
Provisions for other financial assets	0.0	0.0	(0.2)	(0.9)	0.0	(7.9)
Other income (losses)	0.0	0.0	27.3	0.0	(56.3)	(26.2)
Profit before tax	**190.0**	**179.8**	**63.1**	**254.0**	**(174.4)**	**512.8**
Income tax for the period	(63.8)	(57.1)	(14.3)	(12.0)	53.5	(92.9)
Minority interest	0.0	0.0	0.0	0.0	(1.7)	(1.7)
Net profit	**126.2**	**122.7**	**48.8**	**242.0**	**(122.6)**	**418.2**
Loans and advances to customers	15,357.8	11,244.9	9,104.9	0.0	2,362.2	37,598.3
RWAs	24,825.8	11,387.0	5,432.8	7,243.0	4,902.9	53,791.5
No. of staff	579	1,402	1,951	11	769	4.565

* *Includes 147 staff employed by Banca Esperia pro-forma, not included in the Group total.*

6 mths to 31/12/15 (€ m)	CIB	Consumer	WM	PI	Holding Functions	Group
Net interest income	156.4	362.8	94.1	0,0	(11.5)	604.3
Net treasury income	24.3	0.0	5.8	14.8	5.5	45.8
Net fee and commission income	125.1	59.8	63.1	0.0	11.2	227.4
Equity-accounted companies	0.0	0.0	0.0	138.4	0.0	138.8
Total income	**305.8**	**422.6**	**163.0**	**153.2**	**5.2**	**1,016.3**
Labour costs	(66.5)	(43.2)	(59.9)	(2.3)	(37.0)	(209.7)
Administrative expenses	(46.7)	(87.3)	(68.2)	(0.7)	(38.6)	(210.1)
Operating costs	**(113.2)**	**(130.5)**	**(128.1)**	**(3.0)**	**(75.6)**	**(419.8)**
Gains (losses) on AFS equity	0.0	0.0	1.1	91.5	0.0	92.5
Loan loss provisions	(24.5)	(184.1)	(8.3)	0.0	(8.7)	(224.4)
Provisions for other financial assets	0.0	0.0	(0.1)	(11.9)	0.0	(12.8)
Other income (losses)	0.0	(5.1)	0.0	0.0	(66.4)	(71.5)
Profit before tax	**168.1**	**102.9**	**27.6**	**229,8**	**(145.5)**	**380.3**
Income tax for the period	(61.8)	(32.7)	(3.9)	(0.1)	54.5	(57.2)
Minority interest	0.0	0.0	0.0	0.0	(2.0)	(2.0)
Net profit	**106.3**	**70.2**	**23.7**	**229.7**	**(93.0)**	**321.1**
Loans and advances to customers	13,991.2	10,617.8	6,.271.5	0.0	2,494.5	33,018.9
RWAs	29,060.2	10,273.3	4,081.6	11,290.4	4,065.6	58,771.1
No. of staff	572	1,374	1.416	12	726	3.965

Includes 135 staff employed by Banca Esperia pro-forma, not included in the Group total.

4. Corporate & Investment Banking

Corporate & Investment Banking (€ m)	6 mths 31/12/2015	6 mths 31/12/2016	Var.%
Net interest income	156.4	153.4	-1.9%
Net treasury income	24.3	54.0	n.m.
Net fee and commission income	125.1	107.0	-14.5%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**305.8**	**314.4**	**2.8%**
Labour costs	(66.5)	(61.7)	-7.2%
Administrative expenses	(46.7)	(50.5)	8.1%
Operating costs	**(113.2)**	**(112.2)**	**-0.9%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(24.5)	(12.2)	-50.2%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**168.1**	**190.0**	**13.0%**
Income tax for the period	(61.8)	(63.8)	3.2%
Minority interest	0.0	0.0	n.m.
Net profit	**106.3**	**126.2**	**18.7%**
Loans and advances to customers	13,991.2	15,357.8	9.8%
New loans	3,621.1	4,860.4	34.2%
No. of staff	572	579	1.2%
RWAs	29,060.2	24,825.8	-14.6%
Cost/income ratio (%)	37.0	35.7	
Bad loans (*sofferenze*)/loans ratio (%)	0.2	0.0	

4.1 Wholesale Banking

Wholesale banking (€ m)	6 mths 31/12/2015	6 mths 31/12/2016	Var.%
Net interest income	138.6	132.0	-4.8%
Net treasury income	24.3	53.9	n.m.
Net fee and commission income	116.0	86.8	-25.2%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**279.0**	**272.7**	**-2.2%**
Labour costs	(60.3)	(54.2)	-10.1%
Administrative expenses	(40.7)	(42.8)	5.2%
Operating costs	**(101.0)**	**(97.0)**	**-4.0%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(18.5)	(1.5)	n.m.
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**159.5**	**174.2**	**9.2%**
Income tax for the period	(59.0)	(60.3)	2.2%
Minority interest	0.0	0.0	n.m.
Net profit	**100.5**	**113.9**	**13.4%**
Loans and advances to customers	13,209.1	14,207.8	7.6%
New loans	2,861.0	3,033.1	6.0%
No. of staff	374	363	-2.9%
RWAs	28,296.6	23,707.4	-16.2%
Cost/income ratio (%)	36.2	35.6	
Bad loans (*sofferenze*)/loans ratio (%)	0,0	0.0	

4. Specialty Finance

Specialty Finance (€ m)	6 mths 31/12/2015	6 mths 31/12/2016	Var.%
Net interest income	17.8	21.4	20.2%
Net treasury income	0.0	0.1	n.m.
Net fee and commission income	9.1	20.2	n.m.
Equity-accounted companies	0.0	0.0	n.m.
Total income	**26.9**	**41.7**	**55.0%**
Labour costs	(6.2)	(7.5)	21.0%
Administrative expenses	(6.0)	(7.7)	28.3%
Operating costs	**(12.2)**	**(15.2)**	**24.6%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(6.0)	(10.7)	78.3%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**8.7**	**15.8**	**81.6%**
Income tax for the period	(2.8)	(3.5)	25.0%
Minority interest	0.0	0.0	n.m.
Net profit	**5.9**	**12.3**	**n.m.**
Loans and advances to customers	782.1	1,150.0	47.0%
New loans	760.1	1,827.3	n.m.
No. of staff	198	216	9.1%
RWAs	763.6	1,118.4	n.m.
Cost/income ratio (%)	45.4	36.5	
Bad loans (*sofferenze*)/loans ratio (%)	0.2	0,0	

5. Consumer Banking

Consumer Banking (€ m)	6 mths 31/12/2015	6 mths 31/12/2016	Var.%
Net interest income	362.8	408.4	12.6%
Net treasury income	0.0	0.0	n.m.
Net fee and commission income	59.8	67.2	12.4%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**422.6**	**475.6**	**12.5%**
Labour costs	(43.2)	(45.5)	5.3%
Administrative expenses	(87.3)	(91.3)	4.6%
Operating costs	**(130.5)**	**(136.8)**	**4.8%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(184.1)	(159.0)	-13.7%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	(5.1)	0.0	n.m.
Profit before tax	**102.9**	**179.8**	**74.7%**
Income tax for the period	(32.7)	(57.1)	74.6%
Minority interest	0.0	0.0	n.m.
Utile netto	**70.2**	**122.7**	**74.7%**
Loans and advances to customers	10,617.8	11,244.9	5.9%
New loans	2,953.7	3,125.8	5.8%
No. of branches	164	164	0.0%
No. of staff	1,374	1,402	2.0%
RWAs	10,273.3	11,387.0	10.8%
Cost/income ratio (%)	30.9	28.8	
Bad loans (*sofferenze*)/loans ratio (%)	0.2	0.1	

6. Wealth Management

Wealth Management (€ m)	6 mths	6 mths	Var.%
	31/12/2015	31/12/2016	
Net interest income	94.1	117.5	24.9%
Net treasury income	5.8	6.6	13.8%
Net fee and commission income	63.1	90.2	42.9%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**163.0**	**214.3**	**31.5%**
Labour costs	(59.9)	(83.0)	38.5%
Administrative expenses	(68.2)	(87.7)	28.6%
Operating costs	**(128.1)**	**(170.7)**	**33.2%**
Gains (losses) on AFS equity	1.1	3.1	n.m.
Loan loss provisions	(8.3)	(10.7)	28.9%
Provisions for other financial assets	(0.1)	(0.2)	n.m.
Other income (losses)	0.0	27.3	n.m.
Profit before tax	**27.6**	**63.1**	**n.m.**
Income tax for the period	(3.9)	(14.3)	n.m.
Minority interest	0.0	0.0	n.m.
Net profit	**23.7**	**48.8**	**n.m.**
Loans and advances to customers	6,271.5	9,104.9	45.2%
New loans	513.6	532.6	3.7%
Total Financial Assets (TFA)	46,659.9	50,586.2	8.4%
-AUM/AUA	17,081.1	21,326.9	24.9%
- Asset under custody	16,263.3	11,371.1	-30.1%
-Deposits	13,315.5	17,888.2	34.3%
No. of staff	1,416	1,951	37.8%
RWAs	4,081.6	5,432.8	33.1%
Cost/income ratio (%)	78.6	79.7	
Bad loans (sofferenze)/loans ratio (%)	1.7	1.1	

6.1 CheBanca!- Affluent/Premier

CheBanca! - Affluent/Premiére (€ m)	6 mths 31/12/2015	6 mths 31/12/2016	Var.%
Net interest income	75.7	100.0	32.1%
Net treasury income	0.0	0.2	n.m.
Net fee and commission income	20.5	31.5	53.7%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**96.2**	**131.7**	**36.9%**
Labour costs	(32.1)	(47.6)	48.2%
Administrative expenses	(47.6)	(63.3)	33.0%
Operating costs	**(79.7)**	**(110.9)**	**39.1%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(8.0)	(10.4)	30.0%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	29.5	n.m.
Profit before tax	**8.5**	**39.9**	**n.m.**
Income tax for the period	(2.7)	(10.8)	n.m.
Minority interest	0.0	0.0	n.m.
Net profit	**5.8**	**29.1**	**n.m.**
Loans and advances to customers	4,812.5	7,441.5	54.6%
New loans	513.6	532.6	3.7%
Total Financial Assets (TFA)	14,006.2	20,776.0	48.3%
-AUM/AUA	3,604.0	6,934.2	92.4%
-Asset under custody	0.0	0.0	n.m.
-Deposits	10,402.2	13,841.8	33.1%
No. of branches	57	143	n.m.
No. of staff	971	1,484	52.8%
RWAs	2,427.4	3,503.0	44.3%
Cost/income ratio (%)	82.8	84.2	
Bad loans (*sofferenze*)/loans ratio (%)	1.2	1.4	

1. Private Banking

Private Banking (€ m)	6 mths 31/12/2015	6 mths 31/12/2016	Var.%
Net interest income	18.4	17.5	-4.9%
Net treasury income	5.8	6.4	10.3%
Net fee and commission income	42.6	58.7	37.8%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**66.8**	**82.6**	**23.7%**
Labour costs	(27.8)	(35.4)	27.3%
Administrative expenses	(20.6)	(24.4)	18.4%
Operating costs	**(48.4)**	**(59.8)**	**23.6%**
Gains (losses) on AFS equity	1.1	3.1	n.m.
Loan loss provisions	(0.3)	(0.3)	0.0%
Provisions for other financial assets	(0.1)	(0.2)	n.m.
Other income (losses)	0.0	(2.2)	n.m.
Profit before tax	**19.1**	**23.2**	**21.5%**
Income tax for the period	(1.2)	(3.5)	n.m.
Minority interest	0.0	0.0	n.m.
Net profit	**17.9**	**19.7**	**10.1%**
Loans and advances to customers	1,459.0	1,663.4	14.0%
Total Financial Assets (TFA)	32,654.0	29,810.0	-8.7%
-AUM/AUA	13,477.1	14,392.7	6.8%
- Asset under custody	16,263.3	11,371.1	-30.1%
-Deposits	2,913.5	4,046.2	38.9%
No. of staff	445.0	467.0	4.9%
RWA	1,654.2	1,929.8	16.7%
Cost/income ratio (%)	72.5	72.4	
Bad loans (*sofferenze*)/loans ratio (%)	0.2	0.0	

7. Principal Investing

PI (€ m)	6 mths 31/12/2015	6 mths 31/12/2016	Var.%
Net interest income	0.0	(3.6)	n.m.
Net treasury income	14.8	6.8	-54.0%
Net fee and commission income	0.0	0.0	n.m.
Equity-accounted companies	138.4	134.7	-2.7%
Total income	**153.2**	**137.9**	**-10.0%**
Labour costs	(2.3)	(1.6)	-30.1%
Administrative expenses	(0.7)	(0.3)	-57.1%
Operating costs	**(3.0)**	**(1.9)**	**-36.5%**
Gains (losses) on AFS equity	91.5	118.9	29.9%
Loan loss provisions	0.0	0.0	n.m.
Provisions for other financial assets	(11.9)	(0.9)	-92.4%
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**229.8**	**254.0**	**10.5%**
Income tax for the period	(0.1)	(12.0)	n.m.
Minority interest	0.0	0.0	n.m.
Net profit	**229.7**	**242.0**	**5.4%**
AFS securities	869.0	640.4	-26.3%
Equity investments	3,017.2	3,346.1	10.9%
RWA	11,290.4	7,243.0	-35.8%

8. **Holding Functions**

Holding Functions (€ m)	6 mths	6 mths	Var.%
	31/12/2015	31/12/2016	
Net interest income	(11.5)	(47.1)	n.m.
Net treasury income	5.5	(0.3)	n.m.
Net fee and commission income	11.2	9.1	-18.5%
Equity-accounted companies	0.0	0.0	n.m.
Total income	**5.2**	**(38.3)**	**n.m.**
Operating costs	**(75.6)**	**(70.5)**	**-6.7%**
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(8.7)	(9.3)	6.9%
Provisions for other financial assets	0.0	0.0	n.m.
Other provisions	(66.4)	(56.3)	-15.2%
Profit before tax	**(145.5)**	**(174.4)**	**19.9%**
Income tax for the period	54.5	53.5	-1.8%
Minorities	(2.0)	(1.7)	-15.0%
Net profit/loss	**(93.0)**	**(122.6)**	**31.8%**
Loans and advances to customers	2,646.2	2,362.7	-10.7%
Banking book securities	6,987.0	6,932.0	-0.8%
No. of staff	726	769	5.9%
RWA	4,065.6	4,902.9	20.6%

Parent company P&L and balance sheet

Mediobanca S.p.A. (€ m)	6 mths	6 mths	Var.%
	31/12/15	31/12/16	
Net interest income	84.7	40.1	-52.7%
Net trading income	35.3	61.3	73.7%
Net fee and commission income	122.1	89.2	-26.9%
Dividends on investments	0.0	0.0	n.m.
Total income	**242.1**	**190.6**	**-21.3%**
Labour costs	(90.6)	(87.6)	-3.3%
Administrative expenses	(67.9)	(66.3)	-2.4%
Operating costs	**(158.5)**	**(153.9)**	**-2.9%**
Gains (losses) on AFS securities	91.5	118.9	29.9%
Loan loss provisions	(18.2)	2.0	n.m.
Provisions for other financial assets	(12.8)	(6.6)	-48.4%
Impairment on investments	0.0	(0.6)	n.m.
Other income (losses)	(63.7)	(42.6)	-33.1%
Profit before tax	**80.4**	**107.8**	**34.1%**
Income tax for the period	(8.0)	(11.5)	43.8%
Net profit	**72.4**	**96.3**	**33.0%**

Mediobanca S.p.A. (€ m)	31/12/15	31/12/16
Assets		
Financial assets held for trading	12,122.5	9,489.3
Treasury financial assets	9,714.7	10,934.3
AFS equities	321.0	640.4
Banking book securities	10,902.4	10,434.6
Loans and advances to customers	21,638.5	25,716.5
Equity investments	3,191.9	2,786.5
Tangible and intangible assets	130.8	132.0
Other assets	1,174.1	986.3
Total assets	**59,195.9**	**61,119.9**
Liabilities		
Funding	35,938.9	41,668.9
Treasury financial liabilities	8,451.5	5,753.6
Financial liabilities held for trading	8,441.4	7,299.4
Other liabilities	1,187.9	1,205.4
Provisions	147.3	136.8
Net equity	4,956.5	4,959.5
Profit for the period	72.4	96.3
Total liabilities	**59,195.9**	**61,119.9**

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

Massimo Bertolini