MEDIOBANCA

BOARD OF DIRECTORS' MEETING

Financial statements for three months ended 30/9/20 approved

Milan, 27 October 2020

Positive start to FY 2020-21, with all business segments reacting fast post lock-down

Net profit four times[1] higher at €200m, ROTE 9%

Revenues up 3%[1] to €626m, with NII and fee income up 9%[2]

Record quarter for CIB, solid growth in WM, Consumer Banking recovering quicker than expected

CoR halved to 61 bps on healthy asset quality/moratoria trend (almost all moratoria in Consumer Banking now expired)

CET1 16.2%,[3] factoring in estimated dividend payout @70% of net profit

Business and profitability indicators picked up quickly in 3M FY 2020-21 despite seasonal factors due to the summer months, driven by the Group's strong position with the most resilient client brackets (households and SMEs) and helped by strict risk management.

Results beat expectations, reflecting:

- **Commercial activity almost back to normal in all segments,** in a market scenario that continues to be uncertain;
- **Robust performance in revenues (up 3% QoQ to €626m), in particular net interest income and fee income (up 9% QoQ and up 6% YoY[4] to €546m),** which offset the reduced contribution from PI (€46m) reflecting one-off items;
  - Fee income delivered strong growth (up 32% QoQ and up 22% YoY, to €189m), driven by CIB (up 70% QoQ and up 54% YoY, to €88m), with Advisory and ECM business recovering, and a solid performance in WM (up 5% QoQ and up 9% YoY, to €76m);
  - Net interest income was basically flat (down 1%, to €357m) on lower customer loans in Consumer Banking (down 1% QoQ and down 4% YoY, to €12.9bn); new loans in Consumer Banking, which reduced materially during the lockdown period, have now returned to levels where they offset the stock of loans falling due in the quarter (€1.5bn);
  - Net trading income totalled €36m (down 25% QoQ, up 3% YoY).

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[1] QoQ: 3M ended 30/9/20 vs 3M ended 30/6/20.

[2] QoQ change in NII + fee income.

[3] Internal calculation that differs from the one used in the COREP Common Reporting exercise due to the retained earnings generated in the period (not subject to authorization under Article 26 of the CRR) and based on a dividend payout of 70% subject to the ECB ban currently in place until 31 December 2020 being removed. Retained earnings impact on CET1 as to approx. 15 bps.

[4] YoY: 3M ended 30/9/20 vs 3M ended 30/9/19.

- **Asset quality confirmed** both in CIB, where writebacks were recorded, and Consumer Banking, where the majority of the moratoria granted were closed with no issues, with risk indicators returning to pre-Covid levels; overall moratoria granted by the Group fell from 5.6% to 2.9% of total loans outstanding. **The cost of risk halved during the three months, to 61 bps** (30/6/20: 141 bps); non-performing loans were stable, at 4.2% of total gross loans (net NPLs 1.9%), with coverage ratios higher at 57%; gross loans classified as stage 2 were lower, at 6.7% of the loan book (net stage 2 loans 6.2%).
- **Net profit four times higher QoQ, at €200m,** including €13m in writebacks to financial assets as a result of market prices improving
- **ROTE adj.[5] 9%.**
- **CET1 ratio[3] stable at end-June high levels (16.2%, up 200 bps YoY) including a dividend payout equal to 70% of reported net profit,** an assumption which is subject to the ECB's ban on dividends being lifted (currently the ban is in place until end-December 2020).

At the divisional level, there was significant improvement in CIB which offset the consolidation in Consumer Banking and PI; while the WM contribution has continued to grow.

- **CIB**: **ROAC[6] 19%, with net profit rising to €85m** (up 3.3x QoQ and **up 48% YoY**). Mediobanca has further strengthened its leadership position in core segments and markets, taking part in the most important M&A transactions in Italy and France in particular. In the three months there was **significant growth in revenues** (up 31% QoQ and **up 22% YoY, to €183m**), **on recoveries in Advisory, ECM and DCM business**. The **high quality of the loan book is borne out** by loan loss provisions reflecting €18m in net writebacks (compared with net writedowns of €33m in 4Q 2019-20, which also reflect approx. €40m in non-recurring adjustments to the IFRS 9 models being aligned with the new macro scenario).

- **WM: ROAC[6] 20%, net profit rose to €22m** (up 58% QoQ **and up 11% YoY)**, on **revenues of €146m** (**up 4%** QoQ and **YoY**) and net fee income of €76m (up 5% QoQ and up 9% YoY). **Asset-gathering capability was confirmed as high,** in the Affluent and Private segments in particular (NNM €0.9bn in 1Q FY 2020-21), due to the **ongoing enhancement of the product offering** (TFAs rose to €64.2bn) and **distribution network** (30 new professionals added during the quarter: bankers, FAs and relationship managers).

- **Consumer Banking: ROAC[6] 27%, with net profit (€72m) down YoY (by 18%) due to lower revenues** (€260m, down 2% QoQ and down 3% YoY), **caused by the reduced new business during the lockdown period (new loans have now returned to** 75% of their pre-Covid levels), **but higher QoQ** (up 48%) **due to a particularly impressive performance in asset quality** (cost of risk 248 bps, vs 361 bps in 4Q FY

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[5] ROTE: net profit adjusted to factor in writedowns/impairment to equity investments and securities and other non-recurring items (positive and negative).

[6] ROAC: adj. net profit (cf. footnote 5)/average allocated capital; allocated capital = 9% RWAs (for PI division: 9% RWAs + capital deducted from CET1).

2019-20): 90% of the moratoria have now been paid off, with almost 90% resuming normal repayments, and the risk indicators returning to pre-Covid levels;

- **PI: ROAC[6] 13%**, **net profit €52m**, lower due to non-recurring items in relation to asset disposals by Assicurazioni Generali

- **HF: increase in funding and liquidity in treasury management, against ongoing discipline in central costs at Group level and deleveraging in leasing. The cost of funding was stable at approx. 80 bps,** helped by the mix which saw increases in the deposits and T-LTRO components. **NSFR 109.1% and LCR 164.1%.**

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With Renato PAGLIARO in the Chair, the Directors of Mediobanca approved the individual and consolidated financial statements for the three months ended 30 September 2020, as illustrated by Chief Executive Officer Alberto NAGEL.

Consolidated results

The first three months of the new financial year saw global economies recovering gradually and resilience on financial markets helped in part by the accommodative monetary and fiscal policies.

Italy has benefited considerably in this connection from the significant reduction in the BTP-*Bund* spread, which is currently in the 130 bps area and more closely aligned with its southern European peers. It has also been helped by the cost of refinancing being at an all-time low, with domestic financial institutions benefiting as well.

The Group's operations have continued, with staff being allowed to work from home in order to maintain social distancing, and at the same time limited effects on commercial activities, which during the three months under review **show a positive performance in terms of new business, both new loans and net new money in wealth management. The figures, while comfortably beating expectations, were still lower than those reported last year.**

The Mediobanca Group delivered a net profit of €200.1m for the three months, much higher than in the last two quarters (€84.6m and €48.2m respectively) but 26.1% lower than last year (€270.6m) due exclusively to the reduced contribution from Assicurazioni Generali of €45m (compared with €135.5m last year and €54.8m in 4Q FY 2019-20), impacted by non-recurring charges. **ROTE stood at 9%, on the back of a capital base at record high levels (CET1 16.2%, phase-in).**

In a still uncertain scenario, in view of the Bank's comfortable liquidity position, **a dividend distribution policy has been resumed for FY 2020-21, subject to the ECB's decision, with the introduction of a 70% payout ratio, higher than the 50% payout recorded in FY 2018-19** (the last dividend distributed).

Looking at the figures in more detail, **commercial activity continues to pick up, even in a scenario that remains uncertain**: new loans in consumer credit, after recording a low of 15% of their pre-Covid level during lockdown in spring, are now back to 75% of that level, with new business of approx. €1.5bn. The solid trend in mortgage lending continues, with approx. €0.4bn in new loans granted, more or less in line with the historical averages but still below the record performance seen in the last six months of 2019. In the Corporate Banking segment, revolving RCF credit lines have now returned to normal, and new loans of €0.9bn are concentrated in investment grade, with limited use of public guarantees (approx. €170m). The performance in Wealth Management continues to be solid, with net new money of approx. €0.9bn (aligned with previous quarters) in the Affluent and Private segment.

Revenues rose by 3% QoQ to €626m, with net interest income and fee income combined up 9% QoQ and up 6% YoY to €546m:

- **Net interest income remained at last year's levels,** down 0.6% (from €359.1m to €357.1m) and near 4Q FY 2020-21 levels too (down 0.9%, from €360.5m), despite the expected lower contribution from Consumer Banking (down 3.9%, from €234.8m to €225.7m), reflecting the reduction in new loans during the lockdown period on average volumes. Conversely, there were increases in NII earned by CIB (up 4.5%, from €68.7m to €71.8m) and Holding Functions (where net interest expense reduced from €16.1m to €13.1m), on higher banking book volumes and a reduction in the interest payable on funding (from €104.3m to €84.3m); the cost of funding remains stable at approx. 80 bps, despite the effects of the reduction in Euribor on fixed-rate funding;

- **Fee income (€189.1m) reported the best performance in the last three years,** demonstrating the value of the diversified business model: Mediobanca's excellent relations with its corporate clients enabled it to leverage on the **upturn in M&A and Capital Markets activities,** generating fee income of €77.7m (up 68% on the last two years' average), with a balanced contribution from all products (Corporate Finance: €40.6m; Capital Markets: €25.5m; Lending: €11.6m); **Wealth Management maintained its upward trend** (up 8.6%, from €69.5m to €75.5m on last year and up 5.4% on 4Q FY 2019-20), with good results in the Affluent segment (up 22%, from €22.3m to €27.2m) and in Private Banking (up 19.4%, from €26.8m to €32m), only in part impacted by a lower contribution from the product factories, which are still affected by outflows from institutional clients; **fees** earned from **Consumer Banking were resilient** (up 4.3%, from €32.5m to €33.9m) despite reductions in new loans and in loan stock;

- **Net treasury income totalled €35.8m**, 3.2% higher than last year (€34.7m) although lower than in 4Q FY 2019-20 (€47.7m);

- **The contribution from equity-accounted Assicurazioni Generali decreased,** from €135.5m last year and €54.8m in 4Q FY 2019-20 to €45m, due to extraordinary charges taken following the settlement of a dispute relating to the sale of Swiss group company BSI.

Administrative costs rose slightly from last year (up 1.9%, from €282.6m to €288m) but were lower than in 4Q FY 2019-20 (down 3.4%). Much of the increase was attributable to CIB (up 5.9%, from €69.3m to €73.4m), reflecting higher accruals for the variable remuneration component in line with the performance in revenues; the other divisions (Wealth Management up 1.3% and Consumer Banking up 3.6%) chiefly reflect the increase in the commercial workforce, and also, in the case of Compass, higher credit recovery expenses due to managing moratoria. Administrative expenses incurred by the Holding Functions were down 3.9%, from €38.2m to €36.7m. There were Covid-related costs of just under €1m in the three months, almost two-thirds of which involved sanitization and security measures, with the remainder being split between new computer equipment and extraordinary changes to the operating processes (moratoria and customer service).

Government stimuli and use of moratoria helped the Bank to preserve the quality of its loan book; in particular, **the initiatives launched in Consumer Banking, the majority of which have already expired, with 90% of clients resuming normal payments**. Conversely, the increase in the infection rates starting from mid-September is not yet reflected in the data, although the possibility of further impact cannot be ruled out, particularly in places where restrictions return to March and April levels.

Loan loss provisions for the quarter returned to the levels seen last year at €71.8m (30/9/19: €65.1m), substantially lower than in 4Q FY 2019-20 (€165.4m) due to the reduced risk on the Consumer Banking loan book. The excellent results from the moratoria (nearly 90% of clients have resumed making regular payments, on 90% of the concessions that have been granted) have combined with risk indicators returning to pre-Covid levels (in terms of loans written off and percentages recovered); **the cost of risk for the Consumer Banking division thus stands at 248 bps, bringing the CoR for the Group as a whole down to 61 bps.** This impressive result was helped by a good performance from the large corporate loan book, on which net writebacks of €24.1m credited, plus the fact that there were no new additions to default status, with one UTP position also due to be reclassified to performing status now that the borrower's recapitalization and debt refinancing process has been successfully completed. Provisioning for mortgages and leasing is still at higher levels than last year, to retain a buffer for moratoria that have not expired yet.

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On the balance-sheet side, total assets increased from €78.9bn to €81.9bn, **with customer loans stable and funding up 3.2%, as reflected in higher treasury assets;** the main items reflect the following trends in the three months:

- **Customer loans remained basically stable at €46.8bn**, with growth in Wealth Management (up 2.6%, from €13.2bn to €13.5bn) offsetting the slight reduction in Consumer Banking (from €13bn to €12.9bn); the other segments were virtually unchanged: Corporate and Investment Banking at €18.6bn and Leasing at €1.8bn;

- **Positive results of moratoria: as at 30 September 2020, the moratoria still outstanding involved loans worth a total of €1.4bn (equal to 2.9% of the total loan book), and represent approx. 50% of the €2.7bn total concessions granted since the start of the pandemic** involving more than 141,000 clients. The outstanding stock is mostly concentrated in mortgage lending (38.6%) and leasing (51.2%), as the majority of the Consumer Banking concessions returning to normal and thus reducing the total to €135.8m:

  - In **Consumer Banking** approx. 90% of the moratoria granted have now expired (the remainder amounts to €135.8m), with the percentage of those having resumed regular payments very high (just under 90%), with applications for deferrals (standard and Covid-related) back down to structural levels and in line with the pre-Covid scenario. The majority of the outstanding €135.8m has been reclassified as Stage 2;

  - Moratoria granted for **mortgages** that have expired now account for 16% of the total concessions granted (€103.8m, compared with €0.8m at end-June 2020), with 85% of clients now having resumed regular repayments, 12% having applied for a further extension, and just 3% past due; approx. one-quarter of the concessions outstanding is due to resume repayments by the year-end, approx. 60% in the first six months of 2021 and the rest later;

  - Moratoria in **leasing** increased in the three months, from €661.2m to €718.6m, €41.6m of which relating to applications already received in previous months but only processed in the period under review, with €15.9m due to new additions; of the remainder, approx. €620m regard the "Heal Italy" decree, for which the expiry date has been extended from 30 September 2020 to 31 January 2021 under a further decree issued in August. Some 550 clients (with accounts worth approx. €125m) have already signalled that they do not intend to take up the offer of the extension and will resume regular repayments in the month of October.

- **Asset quality remains excellent.** Gross non-performing loans increased slightly, up 3.1% (from €1,954.2m to €2,015.8m[7]), and account for 4.2% of total loans (30/6/20: 4.1%); however, net NPLs were stable at €876.6m (1.9% of total loans), due to the higher coverage ratio of 56.5% (55.3%) as a result of the prudent provisioning policy. Almost 80% of the increase is attributable to Consumer Banking which, however, showed a much lower number of additions to NPL status compared to 4Q FY 2019-20. The stock of bad loans increased slightly, with the net exposure totalling €88.3m (versus €78.4m), and remains very low in relative terms (just 0.2%), with a coverage ratio of 82.1% (figures basically unchanged from end-June 2020). Positions classified as Stage 2 reduced from €3,032m to €2,924m (6.2% of total loans), with an increase in coverage;

- **Funding grew from €54.9bn to €56.7bn, due to increased use of the T-LTRO facilities** (from €5.7bn to €6.5bn, €4.8bn of which T-LTRO III), **plus higher retail deposits** (up from €15.3bn to €15.7bn) and debt securities (up from €18.8bn to €19.3bn); the inaugural issue from the Group's green bond programme was launched during the three months (€500m, at 1% with a seven-year duration); **the cost of funding was unchanged at approx. 80 bps;**

- **Banking book securities rose from €6.8bn to €7.5bn,** due to an increase in the sovereign debt securities component (from €4.7bn to €5.3bn, €3.9bn of which domestic with a duration of just under four years); net treasury assets increased from €6.1bn to €7.4bn due to the higher share of assets deposited with the ECB (which increased from €3.1bn to €4.1bn).

- **Total Financial Assets (TFAs) in Wealth Management amounted to €64.2bn,** €0.6bn higher than at end-June, driven by net funding in the affluent/private segment (€0.9bn) and the positive market effect (€0.2bn), which was partly offset by outflows from institutional mandates in asset management (€0.5bn). **Deposits grew from €23.8bn to €24.2bn,** and **AUA/AUM totalled €40bn**, slightly higher than at the balance-sheet date (€39.8bn). The strongest growth came in the Affluent segment, with an increase of €910m, €441m of which in indirect funding (AUM/AUA).

- **The capital ratios remained at very high levels.**[8] In view of the recent EBA Recommendation and the ongoing uncertainty, **the decision has been taken to abandon the dividend target expressed in absolute terms (DPS) and return to payout guidance, which for the current financial year has been set at 70%,** in view of the high capitalization level. Such guidance obviously remains subject to removal of the ECB's restrictions on dividend distributions (in force until 31 December 2020).

  - **The Common Equity Tier 1 ratio stood at 16.21% (phase-in),** taking into account: retained earnings for the period (adding 12 bps); higher valuation reserves (up 3 bps); the higher share of the Assicurazioni Generali investment deducted (minus 9 bps); lower RWAs (adding 5 bps) and the share relating to IFRS 9 FTA (minus 3 bps) in line with the phase-in regime.

  - **The Common Equity Tier 1 ratio fully loaded** without Danish Compromise, i.e. with the Assicurazioni Generali fully deducted (minus 143 bps) and with IFRS 9 FTA applied in full (minus 14 bps), **the ratio remains at 14.64%, in line with the figure at 30 June 2020 (14.50%).**

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[7] The heading does not include NPLs acquired by MBCredit Solutions which increased during the three months from €358.6m to €376.2m following new purchases of portfolios of assets worth a nominal €0.1bn (and involving an outlay of €26,9m).

[8] The capital ratios do not benefit from application of the additional phase-in measures ("prudential filters") introduced by the regulator to neutralize the Covid-related impact deriving from impairment under IFRS 9 and from changes to the valuation reserves for sovereign debt securities.

- **The total capital ratio stood at 18.75% (17.51% fully loaded),** down slightly from end-June 2020 (18.82%) reflecting the share of Tier 2 instruments amortized.

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Divisional results

1. Wealth Management[9] continues to grow: net profit for the quarter up 11% to €22m, ROAC[10] @ 20%. Sound NNM: €0.9bn in the Affluent & Private segment

The Wealth Management division continues on the growth path mapped out for it in the Strategic Plan, with ongoing strengthening of the commercial network and progressive enhancement of brand and product offering.

- **CheBanca! has increased its Affluent and Premier relationship managers, who now number 472 (vs 454) and its FAs who now total 422 (414),** and has launched a new advertising campaign to support the **bank's new positioning,** promoting an advisory model that combines technological innovation with competence, sustainable vision and the solidity of the Mediobanca Group.

- **MBPB has seen the addition of two new bankers,** both of whom come from international top tier banks, and is continuing with its customer portfolio diversification programme, in favour of **opportunities for investing in the real economy** over a medium-long time horizon;

- **CMB is undergoing a strategic repositioning focused on the UHNWI client segment,** which has led to **new bankers being recruited** (a total of six replacing four previous bankers) and a change in the logo and company name to CMB Monaco following specific communications campaigns.

Net new money for the three months in the Affluent and Private segment totalled €0.9bn, in line with the previous quarter, while in asset management there were net outflows of €0.5bn in less profitable institutional AUM:

- **Affluent: NNM €818m,** in line with 4Q FY 2019-20 (€909m) and more than double last year (€290m), and split equally between the direct and the FAs network. During the three months placement of the Mediobanca Diversified Credit Portfolio 2024 Fund Target Maturity by Mediobanca SGR was completed;

- **Private Banking: NNM €108m,** representing the balance between higher AUM/AUA of €267m (vs €118m in 4Q FY 2019-20 and €418m last year) and lower deposits (down €159m). The three months under review saw the placement of a distressed debt fund, raising over $120m (the third product placed from the Mediobanca Private Markets Funds programme), and the second club deal in real estate which raised €55m for investment in a trophy asset in Milan;

- **Asset Management:** new products worth €330m were placed, chiefly relating to the new Cairn CLO XII; while there were outflows from institutional clients totalling €834m, most of which at Mediobanca SGR and in line with the strategic decision to focus on clients of the Group's private and affluent networks. Outflows from RAM have now pretty much halted,

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

10 ROAC adjusted for writedowns/impairment charges to investments and securities, and other non-recurring income and cost items.

and in the quarter the company launched its new Stable Climate Equity fund, targeting mainly Group clients to meet the increasing demand for sustainable investing.

Total Financial Assets managed on behalf of clients (TFAs) are now worth €64.2bn (30/6/20: €63.6bn), 45% of which (€28.7bn) is attributable to the Affluent segment, 41% (€26.5bn) to Private Banking, and the remainder (€9bn) to the product factories; the growth for the period was helped by the positive market effect, which added €220m. The more profitable AUM/AUA came in at €40bn (30/6/20: €39.8bn), on growth in distribution (up €684m) offsetting the reduction posted by the product factories. Asset Management division products placed within the Group totalled €9.7bn.

The division posted a higher net profit than last year of €21.9m (30/9/19: €19.7m), **marking a significant improvement on 4Q FY 2019-20** (€13.9m) which was impacted by the Covid-related expenses. The increase in revenues (up 4% on last year and on 4Q FY 2019-20) drove the cost/income ratio down to 74.8% and brought **ROAC up to 20%.**

Revenues of €145.8m were 4% higher than last year (€140.2m) and than 4Q FY 2019-20 (€140.2m), with the recurring fees component increasing (up 9% on last year and up 4% QoQ), offsetting a slight reduction in net interest income and virtually non-existent performance fees (€0.8m). The main income items performed as follows:

- **Net interest income was largely flat** versus last year (down 1.5%, from €68.9m to €67.9m), and reflects growth in the Affluent segment (up 1.6%, from €54.6m to €55.5m), with strong growth in the direct funding component which offset the reduced contribution from CMB Monaco (down from €11m to €9.9m) due the depreciation in USD exchange rates;

- **Fee income was up 8.6% on last year** (from €69.5m to €75.5m), on strong contributions from the Affluent segment (up 22%, from €22.3m to €27.2m, with recurring fees up 26%) and Private Banking (up 19.4%, from €26.8m to €32m, including €4.1m in upfront fees from placements) which offset the reduction in Asset Management (down 20.8%, from €18.3m to €14.5m) due to decreases in institutional AUM, at RAM in particular; the contribution from management fees was up 12.1% on last year and 5% higher than in 4Q FY 2019-20.

Operating costs rose by 1.3% (from €107.7m to €109.1m), and were concentrated in labour costs (up 2.3%, from €56.2m to €57.5m) in the Affluent and Private segment especially; administrative expenses (up 0.2%, from €51.5m to €51.6m) reflect the resumption in marketing and communication activities.

Loan loss provisions rose from €4.2m to €5.9m, and refer entirely to CheBanca! mortgage lending activity, which reflects a CoR of 23 bps which is better than 4Q FY 2019-20 (€8.6m; CoR 27 bps) bust still at high levels (30/9/19: 18 bps; 12M FY 2019-20: 20 bps), to provide on prudential grounds for Covid-related uncertainties and the results of the moratoria still outstanding.

Customer loans in Wealth Management totalled €13.5bn (€13.2bn), with the mortgage loan component increasing from €10.2bn to €10.4bn; new loans of €415.6m were flat vs 4Q FY 2019-20; in Private Banking customer loans totalled €3.1bn (€2.9bn), following a healthy contribution from CMB Monaco (where customer loans rose from €1.8bn to €1.9bn).

Gross non-performing remain at low levels, accounting for just 1.6% of total loans (or €222.8m compared with €211.9m) and mostly involve CheBanca! mortgage loans (€204.1m, or 1.9% of total loans); while on a net basis non-performing loans represent 1.1% of total mortgages (€113.1m, €49.2m of which are bad loans), with a coverage ratio of 44.6% (54.6% of bad loans).

Moratoria outstanding amount to €541.8m (approx. 5% of the stock of loans outstanding), following approx. €103.8m in repayments, with new applications very low and aligned with pre-Covid levels (€72m). **Of the moratoria that have expired, virtually all clients (85%) have**

resumed payments, while 12% have asked for a further extension, and 3% show signs of financial difficulties. At 30 September 2020 mortgages classified as Stage 2 amounted to €612.8m, or 5.9% of total loans (30/6/20: €618.5m and 6% respectively); 19.1% of these involve moratoria still outstanding (worth €103.6m, or 16% of the total concessions granted).

2. Consumer Banking: net profit recovering to €72m, ROAC@ 27%. New business better than expected, with loan stocks stabilizing. Moratoria successfully completed, with risk indicators returning to pre-Covid levels, driving CoR down to 248 bps.

The Italian consumer credit market showed an average reduction of 7.4% in September 2020 compared to the same month last year, nonetheless reflecting an improvement on the figures as of May and June (the months following the end of the lockdown period), when the reductions were 50% and 19% respectively. However, the various segments reflect very different trends: while automotive finance and special purpose loans recovered (up 19.2% and up 2.2% respectively) and salary-backed finance special purpose loans rebounded (up 12.8% at end-September), the reductions in personal loans and credit cards continued (down 20.8% and 6.5% on September 2019 respectively). Overall, the market posted a 23.1% decrease for 9M 2020.

In September 2020 Compass's market share had risen to 11.1% (vs 9.7% at end-June), with increases in particular in personal loans (up from 10.8% to 13.7%), **due to enhancement of the distribution network which has seen significant development in the three months in terms of the integrated multichannel model, both for new business and credit recovery activities.** In practice this has meant five new branches (for a total number of branches of 177) and three new agencies (44 in total) have been opened, and the weight of the online channel has also increased, now accounting for approx. 25% of the personal loans granted by the direct network (vs 15% one year ago). **This enhancement of the network will prove especially important in mitigating the negative effects that could derive from possible new lockdown periods.**

The company's good market positioning is reflected in the performance in new loans which were significantly higher than in 4Q FY 2019-20, at €1,479m (€823m), thus interrupting the decline in gross total loans which were stable at €14.1bn (down from €13bn to €12.9bn on a net basis).

The Consumer Banking division reported a net profit for the three months of €71.9m, much higher than in 4Q FY 2019-20 (€48.7m, which reflected Covid-related impact on provisioning of €52.2m) due to the **substantial reduction in the cost of risk to 248 bps (361 bps), with the moratoria granted closed successfully, and default and recovery rates returning to pre-Covid levels.** The reduction compared to last year (when a net profit of €88m was recorded) chiefly reflects the lower lending volumes, which impacted on both revenues (down 2.9% YoY and down 2.3% QoQ) and the cost/income ratio which now stands at 28.1% (26.3%). **ROAC for the division stood at 27%,** slightly lower than last year (30%). The main income items performed as follows:

- **Revenues declined by 2.9%**, from €267.3m to €259.6m, due in particular to the reduction in net interest income (down 3.9%, from €234.8 to €225.7m), reflecting the lower average volumes plus the impact on earnings of the compensation payable on items received upfront in the event of early repayment by creditors (under the Lexitor ruling of December 2019). Conversely, net fee and commission income rose by 4.3% (from €32.5m to €33.9m), due to the reduction in commissions credited back to commercial partners which helped offset the decrease in insurance revenues (from €16.5m to €12.7m) linked to lower volumes. Quarter-on-quarter the decline in revenues was less pronounced than year-on-year, down 2.3% (30/6/20: €265.6m), reflecting improvement in the fee component (up 17.3%, from €28.9m).

- **Operating costs totalled €72.9m**, 3.6% higher than last year (€70.4m) due to higher credit recovery charges (up from €14.1m to €17.1m), a trend already in evidence in 4Q FY 2019-20, and to the ongoing enhancement of the distribution structure.

- **Loan loss provisions rose by 23.2%, from €65.4m to €80.6m, but much lower than in 4Q 2019-2020** (€120.6m, €52.2m of which Covid-related), **at a cost of risk of 248 bps (vs 361 bps**). The generalized improvement in the risk and recovery indicators has enabled the portfolio coverage ratios to be increased prudentially.

Net NPLs decreased from €324.2m to €303.5m, and represent 2.35% of the total loan book (2.49%) despite an increase in gross non-performing assets, which increased from €1,015.7m to €1,062.4m and now account for 7.5% of total loans (7.2%), the coverage ratio having increased from 68.1% to 71.4%. Net bad loans totalled €13.6m (€14.6m), and represent 0.1% of the total loan book (stable), with a coverage ratio of 95.7% (94.6%); disposals of €3.4m were made during the three months, compared with €30m in the previous quarter.

Moratoria worth a total of €1.3bn were granted (€1bn in concessions granted under the Assofin arrangements, and the remainder under initiatives introduced by the Group on a voluntary basis); as at 30 September 2020 moratoria involving a total amount of €135.8m were still outstanding, €104.9m of which due to expire by the year-end; **88% of the clients for the moratoria that expired as of September have resumed regular payments**, helped in part by a reminder campaign targeting clients recovering post-moratoria.

The gross balance of positions classified as Stage 2 decreased from €1,691.7m to €1,634.2m (approx. 11.6% of total loans), as a result of positive operating performances and the good results in terms of clients exiting the moratorium period resuming regular payment; **78% of the moratoria outstanding as at 30 September 2020 are classified as Stage 2**. **The coverage ratio for the performing loan book has been raised from 3.17% to 3.25%** to factor in the uncertainties in the macroeconomic scenario.

3. <u>Corporate & Investment Banking</u>: record quarter with net profit of €85m, ROAC 19%. Strong rebound in fee income, and asset quality confirmed as excellent.

The CIB division earned a net profit of €84.6m in the three months, the highest result posted in the past five years, due to a combination of **strong M&A and Capital Market activity and resilient cost of risk**, helped by writebacks credited in respect of a single UTP position shortly to resume performing status. These factors drove ROAC up to 19%, much higher than at the balance-sheet date (30/6/20: 13%), with a similar improvement in the cost/income ratio which in the three months declined to 40.2% (vs 46% last year and in 4Q FY 2019-20), despite reflecting an equivalent increase in accruals for the variable remuneration component.

With reference to the CIB division's main markets (Italy, Spain/Portugal and France), the M&A market shows deal values which are three times those reported in 4Q FY 2019-20 and double those seen this time last year; though the trend on the Italian market has been less favourable (up 6% QoQ but down 20% YoY). ECM has seen a strong recovery in deal values (up approx. 77% on 4Q FY 2019-20 and double those seen in 1Q FY 2019-20), and the trend has been confirmed on the Italian market as well. By contrast, in DCM deals were down 48% QoQ and 19% YoY, as also were EMEA syndicated loans (down 52% on 4Q FY 2019-20 and down 37% on last year).

In this scenario Mediobanca has benefited from its strong relations with clients. **In Corporate Finance, the Bank has taken part in all the main domestic deals,** in particular the completion of the largest business combination in the Italian banking market in recent years. In ECM, **one of the largest IPOs in Europe was closed in the three months**. In DCM, Mediobanca has bucked the prevailing market trend in the quarter, taking a **leading role in thirteen deals** at European level, with a healthy pipeline for the coming months. Lending activity saw the revolving RCF credit lines, which spiked during the pandemic, return to normal with business concentrated on investment grade counterparties, and the Bank participating in various extraordinary deals. Investment banking deals worth €25bn have also been announced in October, the revenues from which will be booked in the coming quarters.

The CIB division posted revenues of €182.5m, much higher than last year (up 22.1%, from €149.5m) and on 4Q FY 2019-20 (up 30.9%, from €139.4m). The increase was concentrated in Wholesale Banking, with revenues of €154.9m (vs €120m last year and €115.2m in 4Q FY 2019-20), due in particular to outstanding performances in M&A/Advisory business and Capital Markets (which do not, it is worth noting, include all the revenues from the deals referred to above). The main income items performed as follows:

- **Net interest income totalled €71.8m (up 4.5%** on last year and up 4.4% on 4Q FY 2019-20), with a growing contribution from large corporate lending offsetting the reduction in Specialty Finance (down 15.5%, from €20.7m to €17.5m) due to lower volumes;

- **Fee income totalled €87.8m, up 54% on last year** (€57m) and approx. 70% higher than in 4Q FY 2019-20 (€51.6m) with all Wholesale Banking products contributing positively, including the record results mentioned previously in Advisory business (€40.6m) and Capital Markets (€15.2m, €10.1m of which ECM) with Specialty Finance largely stable;

- **Net treasury income totalled €22.9m** (vs €23.8m last year and €19m in 4Q FY 2019-20), with CMS client activity down 30% on last year (down from €27m to €18.8m), albeit twice the level recorded in 4Q FY 2019-20 (€9.6m), reflecting the uncertainty on equity markets on volatility and dividends. The proprietary trading book added €4.2m (compared with to €3.6m loss last year).

Operating costs rose by 5.9%, (from €69.3 to €73.4m), and reflect higher labour costs (up 14.9%, from €36.8m to €42.3m), due to accruals for the variable remuneration component aligned with the trend in revenues, with administrative expenses decreasing slightly (down 4.3%, from €32.5m to €31.1m) due to savings on travel expenses and consultancy charges.

Net provisions for financial assets (loans and banking book securities) reflect net writebacks of €18.9m, representing a clear improvement on last year (€6.9m); writedowns in Specialty Finance increased from €3.4m to €6.2m, whereas in Wholesale Banking net writebacks of €25.1m were credited in respect of a single UTP position showing a marked improvement.

Loans and advances to customers remained at €18.6bn, with Large Corporate (€16.5bn) and Specialty Finance contributing stably (€2.1bn). Factoring posted an increase in turnover, from €1.7bn to €1.8bn (up 0.9%); NPL acquired also increased, from €358.8m to €376.5m, after new investments totalling €26.9m.

Asset quality remains at high levels: gross non-performing loans (not including the share of NPLs acquired) increased from €541.5m to €549.6m, accounting for 3% of total loans (2.9%); while net NPLs increased €316.4m to €340.2m (and from 1.7% to 1.9% of the total loan book), on a lower coverage ratio of 38.6% (41.6%) following the writebacks mentioned above.

The Covid-related impact remains low, concentrated in specific sectors and versus counterparties with no problems in terms of liquidity. As at 30 September 2020 around forty applications for waivers had been received, mainly regarding revisions to financial covenants in view of the estimated lower revenues for FY 2020 as a result of the lockdown (which as such do not constitute forbearance measures), and with only five positions being reclassified in terms of staging. As at 30 September 2020 the amount of loans classified as stage 2 totalled €694.5m (3.8% of the total loan book), 6.1% lower than at end-June. During the three months under review Mediobanca also approved six deals with SACE guarantees under the terms of the "Liquidity Decree", involving a total amount of up to €170m.

4. Principal Investing: **lower contribution to Group earnings** (€52m) due to non-recurring items**: ROAC[11]@13%**

The division posted a net profit of €51.6m for the three months, lower than last year (€136.1m) as a result of a reduced contribution from the equity method which added €44m (€135.5m), **reflecting the performance of Assicurazioni Generali which was impacted by extraordinary items** (last year the company's results were boosted by gains on disposals totalling €352m, whereas this year litigation charges of €183m were taken linked to the settlement with BTG Pactual over the sale of BSI). Dividends and other income were virtually stable at €3.6m (€3m), and mostly involve amounts collected from seed capital funds. Valuations of holdings in funds also improved, contributing an impressive €13.3m to earnings, recovering further from 4Q FY 2019-20 following the sharp fall in March of this year.

The book value of the Assicurazioni Generali investment increased from €3,163.4m to €3,468m, on after profits of €45m and an increase of €259.6m in the valuation reserve following the upturn on markets since end-June.

As for the banking book, the positions in securities decreased slightly: holdings in funds reduced from €534.8m to €524.6m following net divestments totalling €22.2m only in part made up by the increase in valuations (€11.9m); while holdings in equities decreased from €139.1m to €136.3m, due to reductions in valuations totalling €2.8m.

5. Holding Functions: **comfortable funding and liquidity position, deleveraging in leasing business ongoing**

The Holding Functions posted a net loss virtually unchanged from last year of €30.2m, with the top-line deficit more than halving from €6m to €2.7m and slightly lower costs of €36.7m (€38.2m) nonetheless offset by higher writedowns to uses of funds and securities totalling €4.5m (€2.3m). In the three months under review, net interest expense improved from €25.5m to €22.2m, as did net trading income (from €6.1m to €7m). The lower cost reflects the downsizing in central projects, most of which have been deferred until subsequent quarters as a result of Covid-19.

The main segments performed as follows:

- **Treasury:** treasury management was boosted by the increased **use of less expensive funding sources, through recourse to the new TLTRO** programme (the balance of which increased from €5.7bn to €6.5bn, almost 60% of which TLTRO III) has allowed the liquidity ratios to be stabilized at prudent levels (**LCR 164.1% and NSFR 109.1%**), and driven a further reduction in net interest expense (from €25.5m to €22.2m) helped also by the instruments made available by the ECB (tiering and TLTRO III premiums) plus the resumption of securities lending activities. **The cost of funding was virtually unchanged at 80 bps,** despite the reduction in market interest rates (Euribor3M is now -50 bps) impacting on deposits. Banking book securities rose from €5.6bn to €6.3bn, contributing €16m in interest (€18.6m), gains on disposals of €10.7m (in part eroded by negative valuations on hedging strategies), and further provisioning of €1.3m (linked to the increase in stock);

- **Leasing:** operations reflect a slightly lower net profit than at the same point last year, of €0.8m (€1.1m), on lower business volumes reflected in reductions in revenues (down 3.9%, from €10.2m to €9.8m) and in particular net interest income (down 5.2%, from €9.6m to €9.1m). Operating costs were down 9.4% (from €5.3m to €4.8m), in both components, while the cost of risk increased from 52 bps to 71 bps, following loan loss provisions of

11 ROAC adjusted for writedowns/impairment charges to investments and securities, and other non-recurring income and cost items.

€3.2m which reflect a prudent approach to the possible results of the moratoria process. Leases outstanding decreased from €1,819.9m to €1,806.3m, on new business totalling €76.5m (vs €74.8m last year), with gross non-performing items representing 9.6% of the stock (€180.9m, vs €185m) which reduces to 6.3% on a net basis (due to the higher coverage ratio, increased from 35.8% to 37.1%). Approx. 40% of the performing portfolio is affected by moratoria granted under the terms of the "Heal Italy" decree which has been extended until 31 January 2021, applications for which have been granted for a total amount of €722.1m, for the most part to clients not in financial difficulties.

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Outlook

The coming quarter could be affected once again by the medical emergency and the possibility of restrictions on operations required to help limit the spread of infections, not all of which can currently be predicted. Lockdown, especially general lockdown, remains the most critical issue for new loans and the cost of risk in Consumer Banking and mortgage lending business; to mitigate the impact of such possible developments, the Group has strongly enhanced its digital platforms and the integrated development of distribution and credit recovery channels in the last six months. Excessive volatility on financial markets too is likely to impact on TFAs (in terms of NNM and market effect) and client risk appetite.

Net interest income is expected to decrease from last year, due to lower volumes and returns in Consumer Banking; while fee income should remain at good levels, as should earnings from Assicurazioni Generali. Against this performance in revenues, operating costs are expected to rise slightly as project activities and commercial initiatives (advertising campaigns) gradually resume.

The cost of risk is seen as being largely stable, while loan loss provisions in Consumer Banking, mortgage lending and leasing are expected to be in line with this quarter unless the macroeconomic scenario deteriorates further.

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1. Restated consolidated profit and loss accounts

Mediobanca Group (€m)	3 mths 30/09/19	3 mths 30/09/20	Chg. %
Net interest income	359.1	357.1	-0.6%
Net treasury income	34.7	35.8	3.2%
Net fee and commission income	154.9	189.1	22.1%
Equity-accounted companies	135.5	44.0	-67.5%
Total income	**684.2**	**626.0**	**-8.5%**
Labour costs	(144.5)	(152.0)	5.2%
Administrative expenses	(138.1)	(136.0)	-1.5%
Operating costs	**(282.6)**	**(288.0)**	**1.9%**
Loan loss provisions	(65.1)	(71.8)	10.3%
Provisions for other financial assets	3.9	13.4	n.m.
Other income (losses)	0.2	—	n.m.
Profit before tax	**340.6**	**279.6**	**-17.9%**
Income tax for the period	(67.8)	(78.8)	16.2%
Minority interest	(2.2)	(0.7)	-70.1%
Net profit	**270.6**	**200.1**	**-26.1%**

2. Quarterly profit and loss accounts

Mediobanca Group	FY 19/20				FY 20/21
(€m)	I Q 30/09/19	II Q 31/12/19	III Q 31/03/20	IV Q 30/06/20	I Q 30/09/20
Net interest income	359.1	362.4	360.2	360.5	357.1
Net treasury income	34.7	56.8	(2.9)	47.7	35.8
)Net commission income	154.9	173.6	158.8	142.9	189.1
Equity-accounted companies	135.5	48.2	65.8	54.8	44.0
Total income	**684.2**	**641.0**	**581.9**	**605.9**	**626.0**
Labour costs	(144.5)	(159.0)	(150.3)	(145.5)	(152.0)
Administrative expenses	(138.1)	(149.5)	(149.5)	(152.5)	(136.0)
Operating costs	**(282.6)**	**(308.5)**	**(299.8)**	**(298.0)**	**(288.0)**
Loan loss provisions	(65.1)	(44.4)	(100.0)	(165.4)	(71.8)
Provisions for other fin. assets	3.9	4.8	(41.0)	11.8	13.4
Other income (losses)	0.2	(16.0)	(40.5)	(77.1)	—
Profit before tax	**340.6**	**276.9**	**100.6**	**77.2**	**279.6**
Income tax for the period	(67.8)	(78.3)	(16.4)	(28.6)	(78.8)
Minority interest	(2.2)	(1.6)	0.4	(0.4)	(0.7)
Net profit	**270.6**	**197.0**	**84.6**	**48.2**	**200.1**

3. Restated balance sheet

Mediobanca Group (€m)	30/09/19	30/06/20	30/09/20
Assets			
Financial assets held for trading	12,144.4	8,818.6	9,612.0
Treasury financial assets	10,359.0	9,257.0	10,375.3
Banking book securities	6,836.0	6,824.5	7,462.6
Customer loans	44,992.5	46,685.1	46,803.0
Corporate	*15,357.4*	*16,521.7*	*16,471.1*
Specialty Finance	*2,225.3*	*2,122.5*	*2,086.9*
Consumer credit	*13,399.2*	*13,037.4*	*12,916.7*
Mortgages	*9,458.5*	*10,235.0*	*10,381.9*
Private banking	*2,643.2*	*2,948.6*	*3,140.2*
Leasing	*1,908.9*	*1,819.9*	*1,806.2*
Equity investments	4,247.1	4,009.7	4,301.6
Tangible and intangible assets	1,391.1	1,311.8	1,306.4
Other assets	2,022.3	2,043.0	1,997.0
Total assets	**81,992.4**	**78,949.7**	**81,857.9**
Liabilities			
Funding	52,579.5	54,917.0	56,653.0
MB bonds	*19,302.9*	*18,751.0*	*19,283.3*
Retail deposits	*14,776.0*	*15,276.7*	*15,745.7*
Private Banking deposits	*7,799.1*	*8,530.7*	*8,442.7*
ECB	*4,317.7*	*5,660.8*	*6,464.7*
Banks and other	*6,383.8*	*6,697.8*	*6,716.6*
Treasury financial liabilities	6,497.6	3,988.0	4,219.1
Financial liabilities held for trading	10,017.0	7,956.9	8,352.8
Other liabilities	2,808.7	2,190.3	2,269.7
Provisions	186.7	157.4	153.7
Net equity	9,902.9	9,740.1	10,209.6
Minority interest	*90.7*	*91.5*	*92.0*
Profit for the period	*270.6*	*600.4*	*200.1*
Total liabilities	**81,992.4**	**78,949.7**	**81,857.9**
CET 1 capital	6,518.4	7,745.0	7,713.0
Total capital	7,997.4	9,041.1	8,925.6
RWA	45,997.7	48,030.5	47,591.8

4. Consolidated shareholders' equity

Net equity (€m)	30/09/19	30/06/20	30/09/20
Share capital	443.6	443.6	443.6
Other reserves	8,330.0	8,229.9	8,831.3
Valuation reserves	768.0	374.7	642.6
- of which: Other Comprehensive Income	*108.2*	*71.5*	*88.7*
cash flow hedge	*(48.6)*	*(30.6)*	*(33.1)*
equity investments	*712.2*	*341.7*	*598.3*
Minority interest	90.7	91.5	92.0
Profit for the period	270.6	600.4	200.1
Total Group net equity	**9,902.9**	**9,740.1**	**10,209.6**

5. Ratios (%) and per share data (€)

MB Group	Financial year 19/20		Financial year 20/21
	30/09/19	30/06/20	30/09/20
Ratios (%)			
Total assets / Net equity	8.3	8.1	8.0
Loans / Funding	0.86	0.85	0.83
RWA density (%)	56.1%	60.8%	58.2%
CET1 ratio (%)	14.2%	16.1%	16.2%
Total capital (%)	17.4%	18.8%	18.8%
S&P Rating	BBB	BBB	BBB
Fitch Rating	BBB	BBB-	BBB-
Moody's Rating	Baa1	Baa1	Baa1
Cost / Income	41.3	47.3	46.0
Bad Loans (*sofferenze*)/Loans ratio (%)	0.2	0.2	0.2
EPS	0.31	0.68	0.23
EPS adj.	0.25	1.00	0.24
BVPS	10.9	10.9	11.3
TBVPS	9.9	10,0	10.3
ROTE adj. (%)	10.3	10.1	9.4
No. shares (m)	887.2	887.2	887.2

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

3m – September 20 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	67.9	225.7	71.8	(1.8)	(13.1)	357.1
Net treasury income	2.4	—	22.9	3.6	7.0	35.8
Net fee and commission income	75.5	33.9	87.8	—	3.4	189.1
Equity-accounted companies	—	—	—	44.0	—	44.0
Total income	**145.8**	**259.6**	**182.5**	**45.8**	**(2.7)**	**626.0**
Labour costs	(57.5)	(23.5)	(42.3)	(0.8)	(27.9)	(152.0)
Administrative expenses	(51.6)	(49.4)	(31.1)	(0.2)	(8.8)	(136.0)
Operating costs	**(109.1)**	**(72.9)**	**(73.4)**	**(1.0)**	**(36.7)**	**(288.0)**
Loan loss provisions	(5.9)	(80.6)	17.9	—	(3.2)	(71.8)
Provisions for other financial assets	0.4	(0.2)	1.0	13.3	(1.3)	13.4
Other income (losses)	—	—	—	—	—	—
Profit before tax	**31.2**	**105.9**	**128.0**	**58.1**	**(43.9)**	**279.6**
Income tax for the period	(9.3)	(34.0)	(43.3)	(6.5)	14.2	(78.8)
Minority interest	—	—	(0.1)	—	(0.5)	(0.7)
Net profit	**21.9**	**71.9**	**84.6**	**51.6**	**(30.2)**	**200.1**
Loans and advances to Customers	13,522.1	12,916.7	18,558.0	—	1,806.2	46,803.0
RWAs	4,882.4	11,649.8	19,964.7	7,889.6	3,205.3	47,591.8
No. of staff	2,034	1,445	623	11	805	4,918

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

3m – September 19 (€m)	WM	Consumer	CIB	PI	Holding Functions	Group
Net interest income	68.9	234.8	68.7	(1.8)	(16.1)	359.1
Net treasury income	1.8	—	23.8	3.0	6.1	34.7
Net fee and commission income	69.5	32.5	57.0	—	4.0	154.9
Equity-accounted companies	—	—	—	135.5	—	135.5
Total income	**140.2**	**267.3**	**149.5**	**136.7**	**(6.0)**	**684.2**
Labour costs	(56.2)	(23.4)	(36.8)	(1.0)	(27.3)	(144.5)
Administrative expenses	(51.5)	(47.0)	(32.5)	(0.2)	(10.9)	(138.1)
Operating costs	**(107.7)**	**(70.4)**	**(69.3)**	**(1.2)**	**(38.2)**	**(282.6)**
Loan loss provisions	(4.2)	(65.4)	6.7	—	(2.2)	(65.1)
Provisions for other financial assets	0.6	—	0.2	3.3	(0.1)	3.9
Other income (losses)	—	—	—	—	0.1	0.2
Profit before tax	**28.9**	**131.5**	**87.1**	**138.8**	**(46.4)**	**340.6**
Income tax for the period	(8.6)	(43.5)	(29.1)	(2.7)	16.3	(67.8)
Minority interest	(0.6)	—	(0.9)	—	(0.7)	(2.2)
Net profit	**19.7**	**88.0**	**57.1**	**136.1**	**(30.8)**	**270.6**
Loans and advances to Customers	12,101.7	13,399.2	17,582.7	—	1,908.9	44,992.5
RWAs	4,682.3	12,716.9	19,669.9	5,548.2	3,380.4	45,997.7
No. of staff	1,951	1,430	634	11	814	4,840

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7. Wealth Management

Wealth Management (€m)	3 mths 30/09/19	3 mths 30/09/20	Chg.%
Net interest income	68.9	67.9	-1.5%
Net trading income	1.8	2.4	33.3%
Net fee and commission income	69.5	75.5	8.6%
Equity-accounted companies	—	—	n.m.
Total income	**140.2**	**145.8**	**4.0%**
Labour costs	(56.2)	(57.5)	2.3%
Administrative expenses	(51.5)	(51.6)	0.2%
Operating costs	**(107.7)**	**(109.1)**	**1.3%**
Loan loss provisions	(4.2)	(5.9)	40.5%
Provisions for other financial assets	0.6	0.4	-33.3%
Other income (losses)	—	—	n.m.
Profit before tax	**28.9**	**31.2**	**8.0%**
Income tax for the period	(8.6)	(9.3)	8.1%
Minority interest	(0.6)	—	n.m.
Net profit	**19.7**	**21.9**	**11.2%**
Loans and advances to customers	12,101.7	13,522.1	11.7%
New loans (mortgages)	555.5	415.6	-25.2%
TFA (Stock)	62.4	64.2	2.9%
-AUM/AUA	39.8	40.0	0.5%
-Deposits	22.6	24.2	7.1%
AUC	6.0	5.0	-16.7%
TFA (Net New Money)	0.3	0.4	33.3%
-AUM/AUA	0.3	0.1	-66.7%
-Deposits	—	0.3	n.m.
No. of staff	1,951	2,034	4.3%
RWAs	4,682.3	4,882.4	4.3%
Cost / income ratio (%)	76.8%	74.8%	
Bad Loans (sofferenze)/Loans ratio (%)	0.3	0.4	
ROAC	19%	20%	

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8. Consumer Banking

Consumer Banking (€m)	3 mths	3 mths	Chg.%
	30/09/19	30/09/20	
Net interest income	234.8	225.7	-3.9%
Net trading income	—	—	n.m.
Net fee and commission income	32.5	33.9	4.3%
Equity-accounted companies	—	—	n.m.
Total income	**267.3**	**259.6**	**-2.9%**
Labour costs	(23.4)	(23.5)	0.4%
Administrative expenses	(47.0)	(49.4)	5.1%
Operating costs	**(70.4)**	**(72.9)**	**3.6%**
Loan loss provisions	(65.4)	(80.6)	23.2%
Provisions for other financial assets	—	(0.2)	n.m.
Other income (losses)	—	0.0	n.m.
Profit before tax	**131.5**	**105.9**	**-19.5%**
Income tax for the period	(43.5)	(34.0)	-21.8%
Minority interest	—	—	n.m.
Net profit	**88.0**	**71.9**	**-18.3%**
Loans and advances to customers	13,399.2	12,916.7	-3.6%
New loans	1,857.4	1,478.9	-20.4%
No. of branches	172	177	2.9%
No. of agencies	32	44	37.5%
No. of staff	1,430	1,445	1.0%
RWAs	12,716.9	11,649.8	-8.4%
Cost / income ratio (%)	26.3%	28.1%	
Bad Loans (sofferenze)/Loans ratio (%)	0.1	0.1	
ROAC	31%	27%	

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9. Corporate & Investment Banking

Corporate & Investment Banking (€m)	3 mths 30/09/19	3 mths 30/09/20	Chg.%
Net interest income	68.7	71.8	4.5%
Net treasury income	23.8	22.9	-3.8%
Net fee and commission income	57.0	87.8	54.0%
Equity-accounted companies	—	—	n.m.
Total income	**149.5**	**182.5**	**22.1%**
Labour costs	(36.8)	(42.3)	14.9%
Administrative expenses	(32.5)	(31.1)	-4.3%
Operating costs	**(69.3)**	**(73.4)**	**5.9%**
Loan loss provisions	6.7	17.9	n.m.
Provisions for other financial assets	0.2	1.0	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**87.1**	**128.0**	**47.0%**
Income tax for the period	(29.1)	(43.3)	48.8%
Minority interest	(0.9)	(0.1)	n.m.
Net profit	**57.1**	**84.6**	**48.2%**
Loans and advances to customers	17,582.7	18,558.0	5.5%
of which purchased NPL (MBCreditSolutions)	357.6	376.5	5.3%
No. of staff	634	623	-1.7%
RWAs	19,669.9	19,964.7	1.5%
Cost / income ratio (%)	46.4%	40.2%	
Bad Loans (sofferenze)/Loans ratio (%)	0.0	0.0	
ROAC	13%	19%	

10. Principal Investing

PI (€m)	3 mths 30/09/19	3 mths 30/09/20	Chg. %
Net interest income	(1.8)	(1.8)	n.m.
Net treasury income	3.0	3.6	20.0%
Net fee and commission income	—	—	n.m.
Equity-accounted companies	135.5	44.0	-67.5%
Total income	**136.7**	**45.8**	**-66.5%**
Labour costs	(1.0)	(0.8)	-20.0%
Administrative expenses	(0.2)	(0.2)	n.m.
Operating costs	**(1.2)**	**(1.0)**	**-16.7%**
Loan loss provisions	—	—	n.m.
Provisions for other financial assets	3.3	13.3	n.m.
Other income (losses)	—	—	n.m.
Profit before tax	**138.8**	**58.1**	**-58.1%**
Income tax for the period	(2.7)	(6.5)	n.m.
Minority interest	—	—	n.m.
Net profit	**136.1**	**51.6**	**-62.1%**
Equity investments	3,539.2	3,508.2	-0.9%
Other investments	651.4	660.9	1.5%
RWAs	5,548.2	7,889.6	42.2%
ROAC	23%	13%	

11. Holding Functions

Holding Functions (€m)	3 mths 30/09/19	3 mths 30/09/20	Chg. %
Net interest income	(16.1)	(13.1)	-18.6%
Net treasury income	6.1	7.0	14.8%
Net fee and commission income	4.0	3.4	-15.0%
Equity-accounted companies	—	—	n.m.
Total income	**(6.0)**	**(2.7)**	**-55.0%**
Labour costs	(27.3)	(27.9)	2.2%
Administrative expenses	(10.9)	(8.8)	-19.3%
Operating costs	**(38.2)**	**(36.7)**	**-3.9%**
Loan loss provisions	(2.2)	(3.2)	45.5%
Provisions for other financial assets	(0.1)	(1.3)	n.m.
Other income (losses)	0.1	—	n.m.
Profit before tax	**(46.4)**	**(43.9)**	**-5.4%**
Income tax for the period	16.3	14.2	-12.9%
Minority interest	(0.7)	(0.5)	-28.6%
Net profit	**(30.8)**	**(30.2)**	**-1.9%**
Loans and advances to customers	1,908.9	1,806.2	-5.4%
Banking book securities	5,654.7	6,336.9	12.1%
RWAs	3,380.4	3,205.3	-5.2%
No. of staff	814	805	-1.1%

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

Mediobanca S.p.A. (€m)	3 mths 30/09/19	3 mths 30/09/20	Chg.%
Net interest income	22.6	30.4	34.9%
Net treasury income	32.0	33.1	3.2%
Net fee and commission income	53.3	91.8	72.1%
Dividends on investments	0.0	0.0	n.m.
Total income	**107.9**	**155.3**	**43.9%**
Labour costs	(54.5)	(61.8)	13.4%
Administrative expenses	(41.5)	(37.6)	-9.3%
Operating costs	**(96.0)**	**(99.4)**	**3.6%**
Loan loss provisions	13.2	27.1	n.m.
Provisions for other financial assets	3.2	13.1	n.m.
Impairment on investments	0.0	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
Profit before tax	**28.3**	**96.0**	**n.m.**
Income tax for the period	(9.5)	(34.5)	n.m.
Net profit	**18.8**	**61.5**	**n.m.**

Mediobanca S.p.A. (€m)	30/09/2019	30/06/2020	30/09/2020
Assets			
Financial assets held for trading	12,524.9	9,214.7	9,859.8
Treasury financial assets	11,828.8	10,306.8	11,433.0
Banking book securities	10,868.2	9,592.2	9,933.2
Customer loans	28,935.6	30,507.4	33,076.3
Equity Investments	4,031.9	4,089.0	4,351.0
Tangible and intangible assets	173.1	168.4	165.3
Other assets	924.0	959.4	976.7
Total assets	**69,286.5**	**64,837.9**	**69,795.2**
Liabilities and net equity			
Funding	44,850.0	46,273.9	50,353.8
Treasury financial liabilities	7,891.2	4,614.1	4,946.2
Financial liabilities held for trading	10,321.0	8,351.7	8,764.7
Other liabilities	1,294.8	762.7	819.0
Provisions	131.2	121.6	123.9
Net equity	4,779.5	4,674.5	4,726.0
Profit of the period	18.8	39.4	61.5
Total liabilities and net equity	**69,286.5**	**64,837.9**	**69,795.2**

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13. Statement of comprehensive income

		3 mths	12 mths
		30/09/20	30/06/20
10.	**Gain (loss) for the period**	**200.6**	**601.4**
	Other income items net of tax without passing through profit and loss	**(30.0)**	**0.7**
20.	Equity instruments designated at fair value through other comprehensive income	(2.7)	3.2
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes)	(2.6)	(1.7)
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	(0.4)	(2.3)
80.	Non-current assets and disposal groups classified as held for sale	—	—
90.	Portion of valuation reserves from investments valued at equity method	(24.3)	1.5
	Other income items net of tax passing through profit and loss	**298.1**	**(222.3)**
100.	Foreign investment hedges	0.9	(3.1)
110.	Exchange rate differences	(1.2)	5.5
120.	Cash flow hedges	(2.4)	11.2
130.	Hedging instruments (non-designated items)	—	—
140.	Financial assets (different from equity instruments) at fair value through other comprehensive Income [1]	19.8	(15.4)
150.	Non-current assets and disposal groups classified as held for sale	—	—
160.	Part of valuation reserves from investments valued at equity method	280.9	(220.4)
170.	**Total other income items net of tax**	**268.1**	**(221.6)**
180.	**Comprehensive income (Item 10+170)**	**468.7**	**379.8**
190.	Minority interest in consolidated comprehensive income	0.6	1.5
200.	**Consolidated comprehensive income attributable to Mediobanca S.p.A.**	**468.1**	**378.3**

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