

MEDIOBANCA RESHAPING UNDERWAY

BofAML 22nd Annual Financial CEO Conference

“The Financial Crisis – 10 years on”

London, 28 September 2017



MEDIOBANCA

MEDIOBANCA HAS SUCCESSFULLY COME THROUGH THE LAST TEN YEARS' FINANCIAL CRISIS

Mediobanca has emerged **STRONGER** after the crisis

in terms of **RESILIENCY, REPUTATION** and **SOLIDITY**

OUTPERFORMING many EU banks by profitability and market performance

due to our

SPECIFIC STRENGTHS

Distinctive DNA and culture

Sound business positioning

Ability to adapt business model

Ability to grow while reshaping

DISTINCTIVE DNA AND CULTURE

We are a business built on people,
using a client-centred approach to build trust

WHAT MAKE US DIFFERENT

Stable Board and management team in the last 10 years

Indepth knowledge of business environment

Long-term approach to business

Strong Reputation

70 years of ethical
business approach

Strong brand value

No conduct risk issues

Strong Risks and Costs Control

Unrivalled asset quality

Low operational gearing

Strong capital generation

Specialization and Innovation

Reference IB
for Italian corporates

Most profitable
consumer bank

First human-digital bank

Boutique-Type Organization

Lean structure

Attractive to talent

Faster decision-making

SOUND BUSINESS POSITIONING

CORPORATE & INVESTING BANKING

“Reference IB for Italian corporates,
established role in Southern EU”

Client-driven, highly specialized business

ROAC = 11%

CONSUMER BANKING

“Top Italian consumer credit operator”

Distribution and scoring built over 50 years

ROAC = 25%

WEALTH MANAGEMENT

“Fast growing business,
set to become Group fee income driver”

Value option valorization only just started

ROAC 9%

PRINCIPAL INVESTING

“13% stake in Ass.Generali
as potential source of capital”

Cost-/tax-free investment. Group EPS and DPS stabilizer

ROAC = 17%

NO EXPOSURE TO SOME OF THE BIG CRISIS ISSUES

NO large FICC business

NO oversized traditional retail branch network

NO problematic sectors (ITA small business,
shipping, real estate development, etc.)

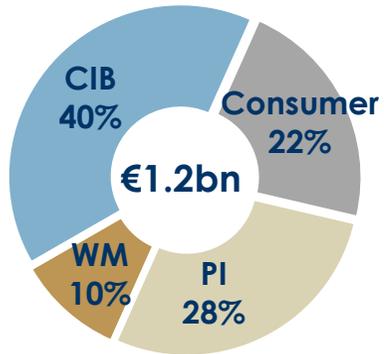
NO legacy IT/CRM system

MB GROUP PROFILE SUBSTANTIALLY RESHAPED DURING THE LAST TEN YEARS OF CRISIS

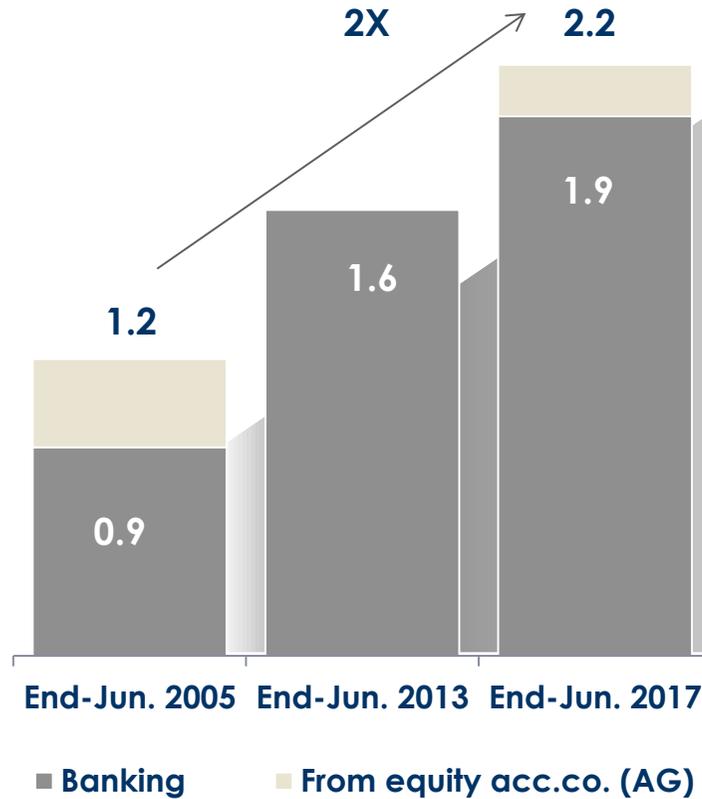
OBJECTIVES/TARGETS ACHIEVED	ACTIONS
Reduce business complexity and EPS volatility Improve CAPITAL allocation and profitability Improve VALUATION	<ul style="list-style-type: none">✓ From holding company to banking group✓ Equity portfolio liquidated (€5bn stakes sold)✓ Holding discount significantly reduced
Achieve SUSTAINABLE mix of specialized banking businesses	<ul style="list-style-type: none">✓ Banking business doubled in size✓ Corporate: Retail mix completely reshaped in term of revenues, loans and funding
Preserve superior ASSET QUALITY	<ul style="list-style-type: none">✓ Retain one of the best asset quality levels in the European landscape
Generate substantial capital HEALTHY CAPITAL RATIOS & PAYOUT	<ul style="list-style-type: none">✓ No capital call since 1998✓ Consistent dividend policy

REVENUES DOUBLED AND DIVERSIFIED

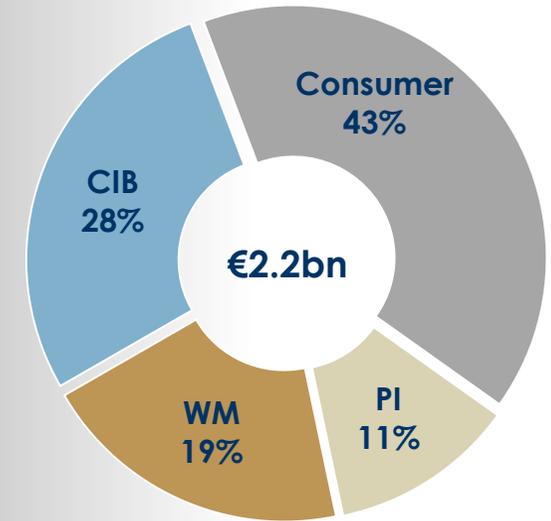
Revenue breakdown
(June 2005)



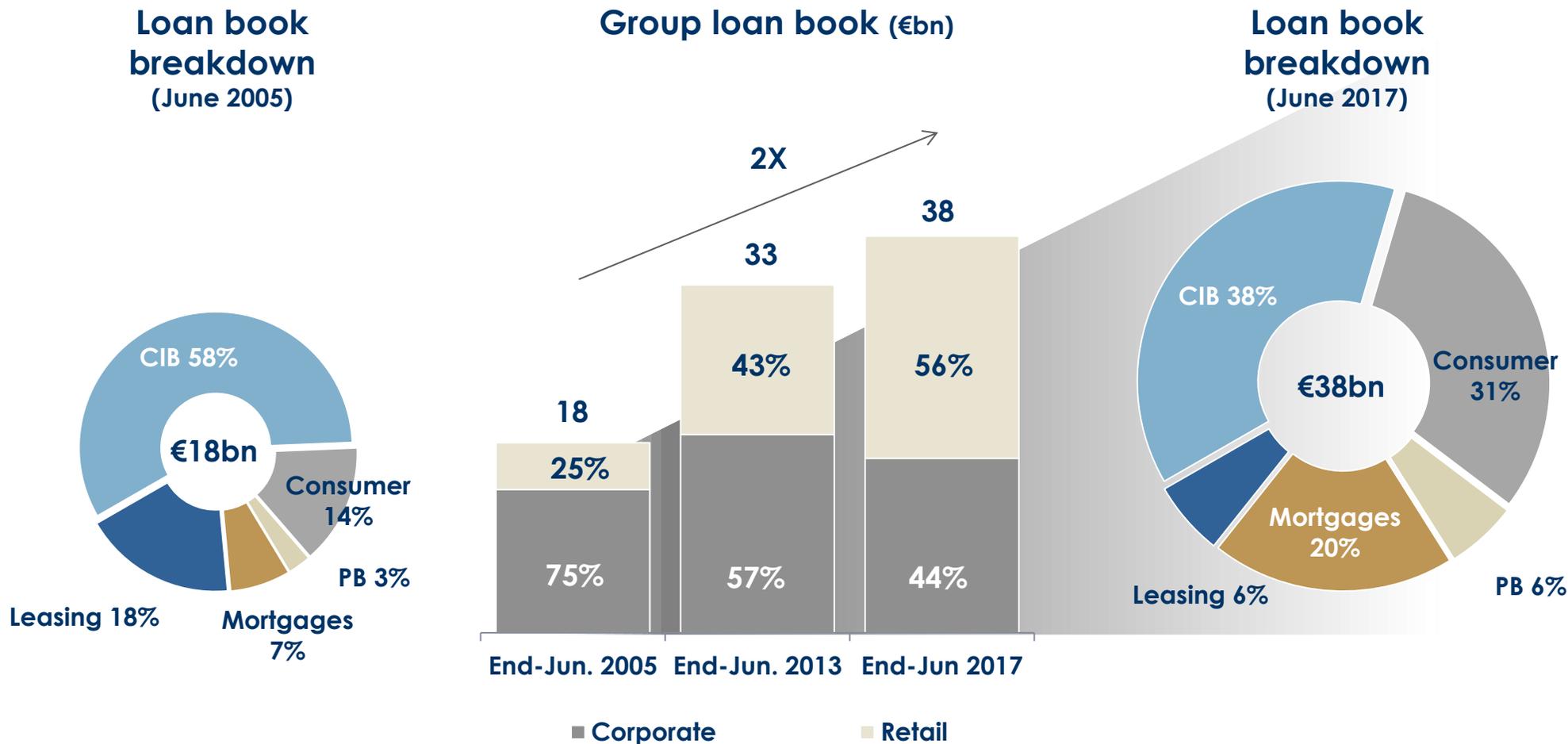
Group revenues (€bn)



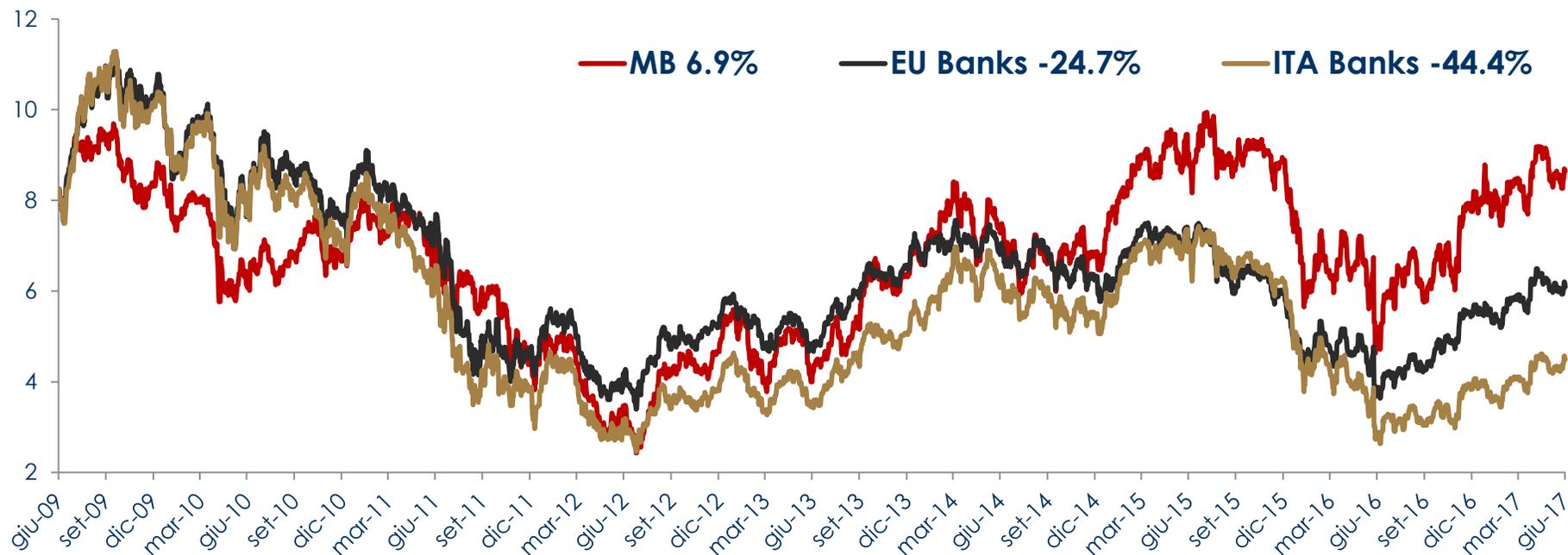
Revenues breakdown
(June 2017)



LOAN BOOK DOUBLED AND REBALANCED TO ACHIEVE IMPROVED CORPORATE/RETAIL MIX



MB HAS OUTPERFORMED MANY EUROPEAN BANKS IN TERMS OF MARKET PERFORMANCE AND LONG-TERM VALUE CREATION



No capital increase
MB last capital increase in 1998

> €3bn dividend distributed
to shareholders since 2005

STRONG KPIS, READY FOR ADDITIONAL GROWTH

Our current KPis

High profitability

ROTE = 9%

Solid capital ratios

CET1 = 13.3%

Efficient organization

Employees doubled in last 10Y
Cost/income ratio = 47%

Outstanding asset quality

Net bad Loans/Loans ratio = 0.4%
Texas ratio = 13%

CURRENT MISSION

POSITION MB AS A LONG-TERM VALUE PLAYER

MB approved its 2016-19 strategic plan on 16 November 2016

Objective: to enhance MB Group business model, reshaping it with a view to definitively upgrading MB to become a LONG-TERM VALUE PLAYER

OBJECTIVES

Grow revenues,
notably K-light, fee
businesses

Materially improve
businesses ROAC

Confirm business model
resilience and
sustainability

ACTIONS

1

Leveraging on strengths
and opportunities
in CIB and Consumer

2

Prioritize WM development,
incl. via disciplined M&A

3

Optimize capital
allocation and distribution

BUSINESS PLAN ACTIONS AND ...

1

Leveraging on strengths and opportunities in CIB and Consumer

- ◆ **CIB: enhance** client coverage
- ◆ **Specialty finance: exploit opportunities** in factoring and credit management
- ◆ **Consumer: ongoing growth** with enlarged distribution

2

Prioritize WM development, incl. via disciplined M&A

- ◆ **Integrate and develop** recently-acquired companies
- ◆ **Serve Affluent & Premier clients with innovative offering** (CheBanca!) and **Private & HNWI clients with new Mediobanca Private Banking brand** (Spafid and CMB)
- ◆ **Create and develop a Group AM factory**
- ◆ **Investing up to 200 bps of CET1 in M&A opportunities**

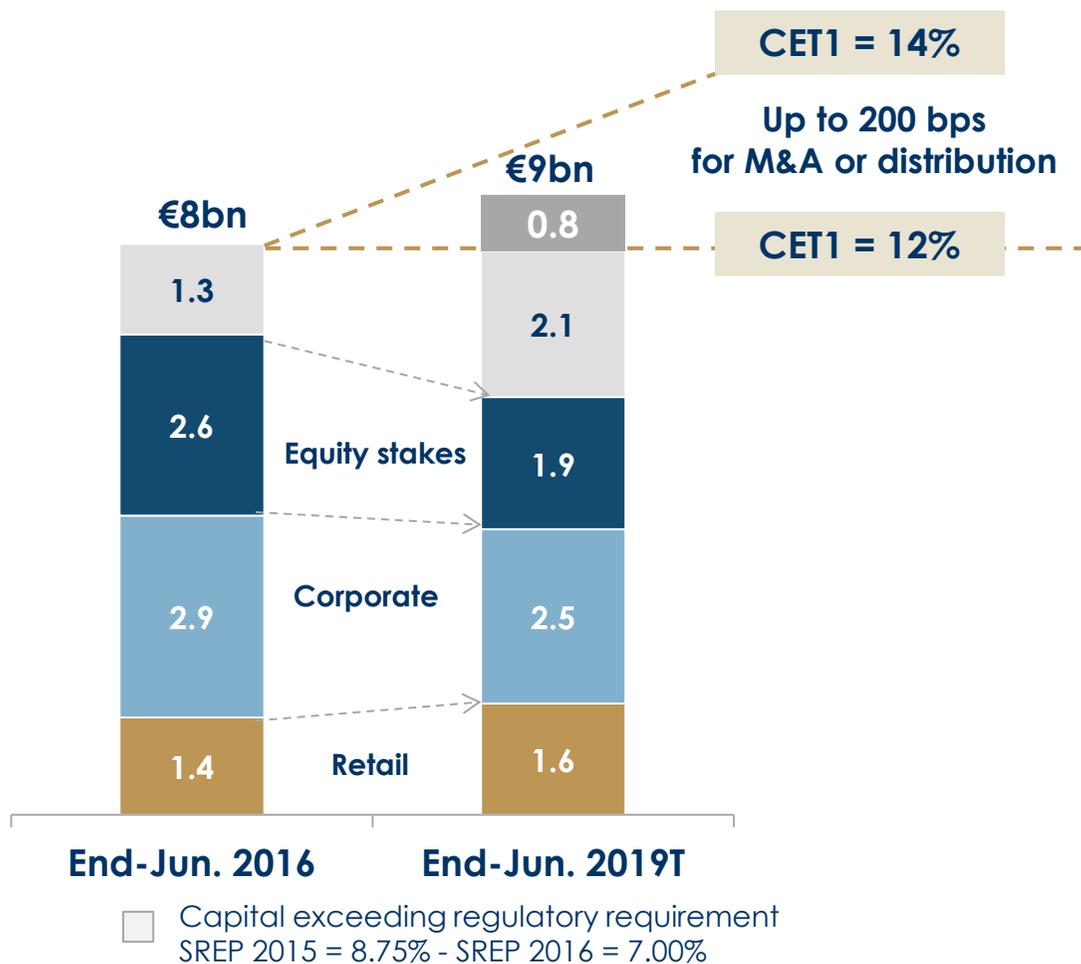
3

Optimize capital allocation and distribution

- ◆ **Further reduce equity stakes** (especially AG)
- ◆ **Proactive ROAC-driven capital use**
- ◆ **Adoption of Advanced Model**

... BETTER USE OF & RETURN ON CAPITAL ...

Tangible book value allocation¹ (€bn)



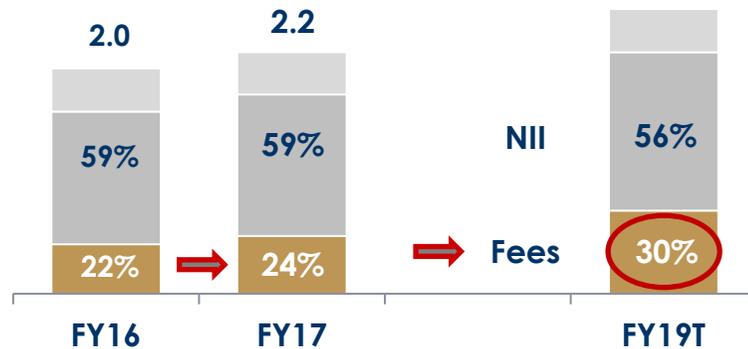
ROAC² target by divisions (€bn)

	FY16	FY19 target
GROUP RATE	7%	10%
Divisional ROAC		
CIB	9%	13%
Consumer Banking	16%	20%
Wealth Management	9%	20%
Principal Investing	17%	12%

... WILL RESULT IN FURTHER RESHAPING AND GROWTH

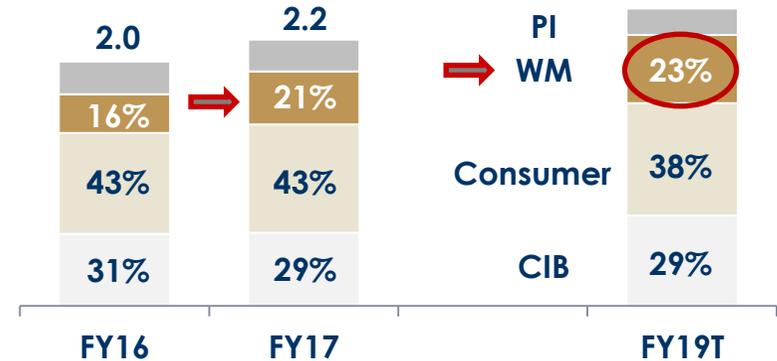
Fees up to 30% of total revenues

Revenues trend and breakdown



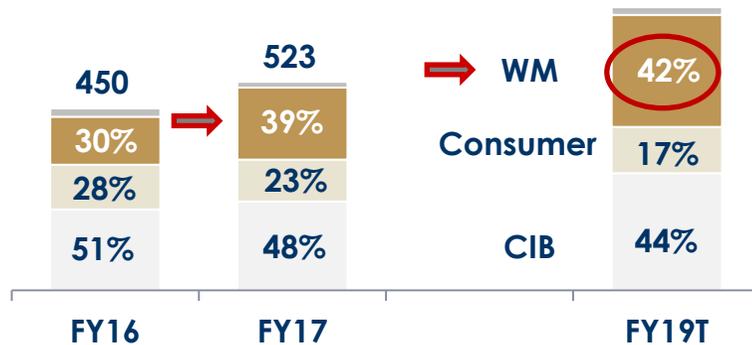
WM over 20% of total revenues

Revenues trend and breakdown



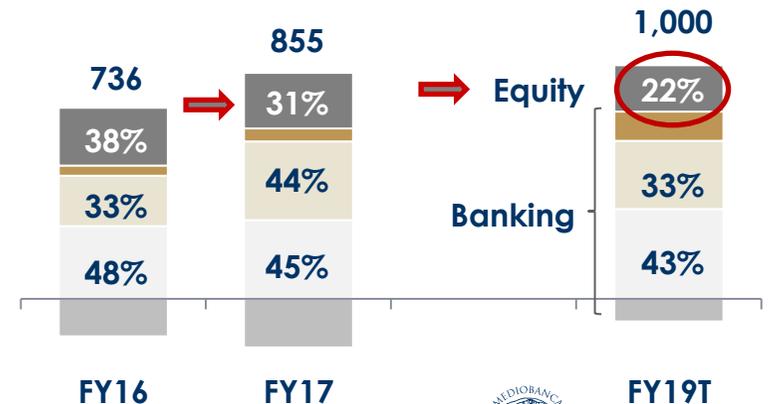
WM up over 40% of total fees

Fee income trend and breakdown



PI contribution down to 20% of total GOP

GOP trend and breakdown



WELL ON COURSE WITH BUSINESS PLAN TRAJECTORY

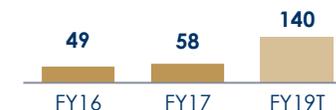
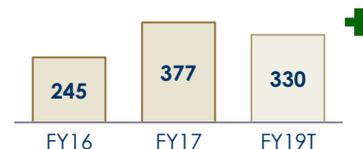
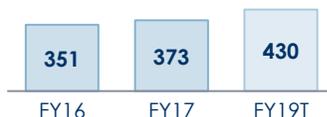
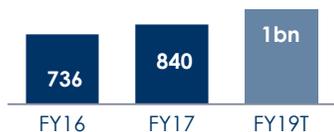
Mediobanca Group

CIB

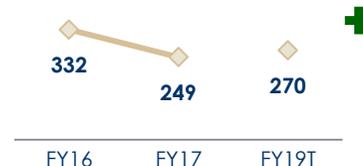
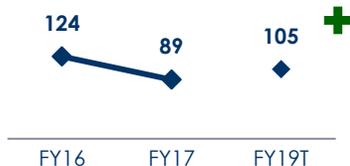
CONSUMER

WM

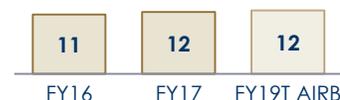
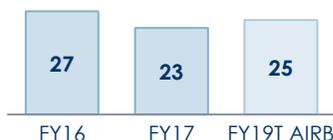
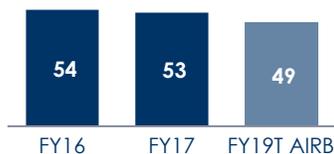
GOP after LLPs
€m



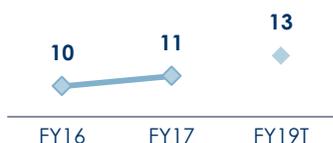
Cost of risk
bps



RWA
€bn



ROAC
%



CET1 ratio



Minimum level 12%
plus 200 bps
for M&A or distribution

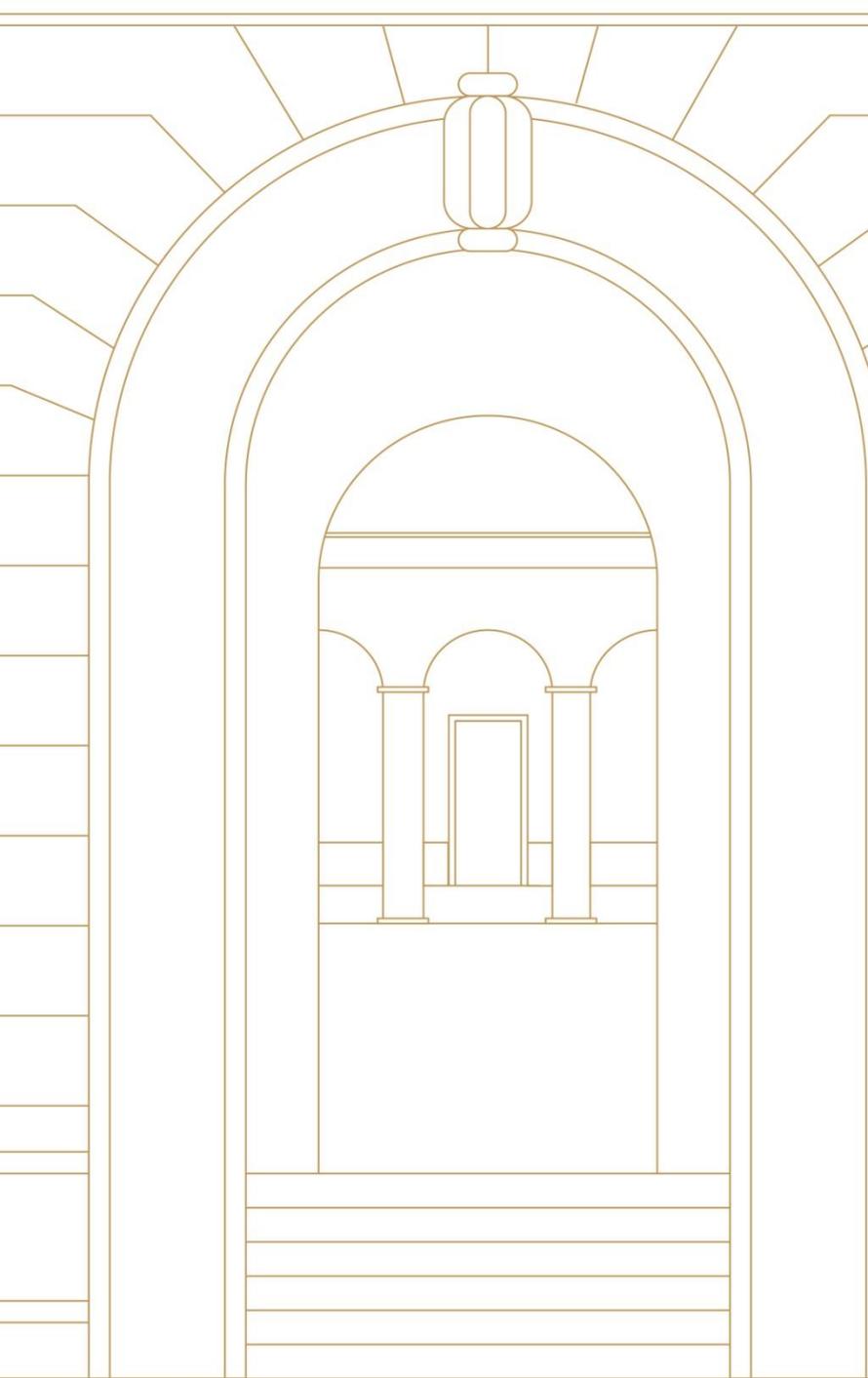
AUM/AUA/AUC



WHAT'S NEXT

RESHAPING TO CONTINUE, PAVING THE WAY FOR DIFFERENT VALUATION METRIC

- ◆ **Mediobanca Group has shown resiliency during the crisis, growing and taking opportunities**
- ◆ **Now significant room for all businesses to improve further**, due to market opportunities, larger scale and cost base/structure optimization
- ◆ **FY 2018 focused on:**
 - ◆ **Extracting cost and revenues synergies from completed acquisitions**
 - ◆ **Empowering distribution in all business segments**
 - ◆ **Optimizing capital use and allocation**
 - ◆ Internal use
 - ◆ Equity disposals
 - ◆ AIRB validation
 - ◆ Additional M&A in WM and SF
- ◆ **Consistent results delivered across the cycle coupled with strong capital generation and increasing exposure to WM pave the way for a different valuation metric for Mediobanca**



MEDIOBANCA

BofAML 22nd Annual Financial CEO Conference

“The Financial Crisis – 10 years on”

London, 28 September 2017



MEDIOBANCA