



**MEDIOBANCA**  
*Banca di Credito Finanziario S.p.A.*

## **Déjà vu – Lessons from the crisis**

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**Bank of America Merrill Lynch - Banking & Insurance CEO Conference**

**London, 4 October 2011**

# Key factors to cope with current scenario

- Diversification of
  - Funding
  - Loan book
  - Revenues
- Risk assessment, efficiency
  - Liquid balance sheet, low leverage
  - Securities and loan book quality
  - Low cost/income
- Focus on core businesses
  - CIB: diversified with international operations
  - Consumer lending: high margin retail business
  - Retail banking: innovative platform to be exploited

# MB Group diversification

## KPIs

- Banking activities represent 90% of total income and 70% of profit before taxes
- Banking activities well diversified between corporate and retail
  - 41% : 59% of funding stock
  - 62% : 38% of loan book
  - 45% : 45% of total income
- Income well diversified by sources
  - 54% net interest income
  - 26% fee income
  - 20% securities income

## Group KPIs by division (June11)

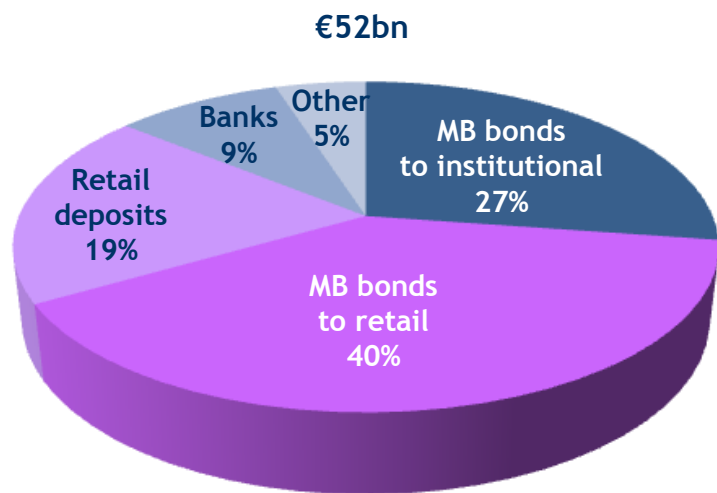
	CIB	RPB	PI	TOT
Funding*	41%	59%		
Loan book	62%	38%		
Total income	45%	45%	10%	
<i>of which</i>				
NII	47%	69%	-	54%
Fees	35%	26%	-	26%
Securities	18%	5%	-	10%
Net profit from PI	-	-	100%	10%

CIB = Corporate & Investment Banking; RPB = Retail & Private Banking; PI = Principal Investing

\* 59% of group funding stock attributable to retail: 19% CheBanca! retail deposits + 40% MB bonds to retail

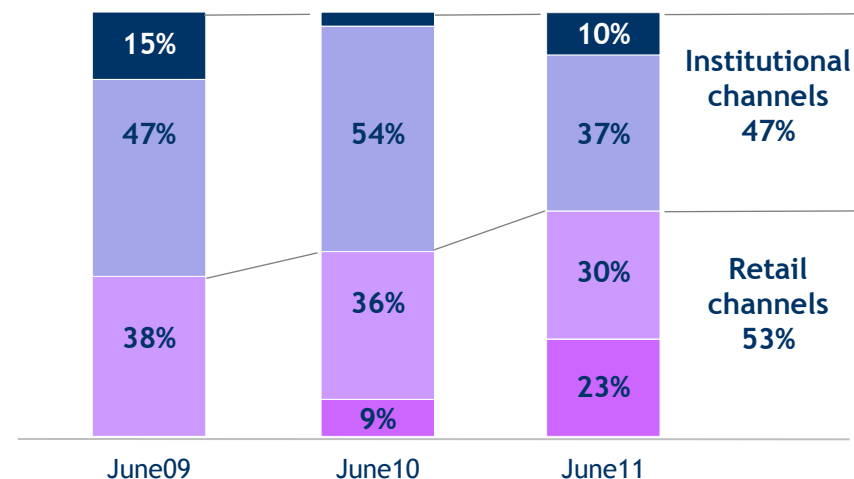
# Funding diversified by product and channel

MB Group funding stock: breakdown by product



- 60% of funding stock attributable to retail
- MB bonds expiring: €7bn < June12, €5bn < June13

MB bonds issued: breakdown by channel



- Distribution channels enlarged: MOT accounts for 23%, retail channels for 53%

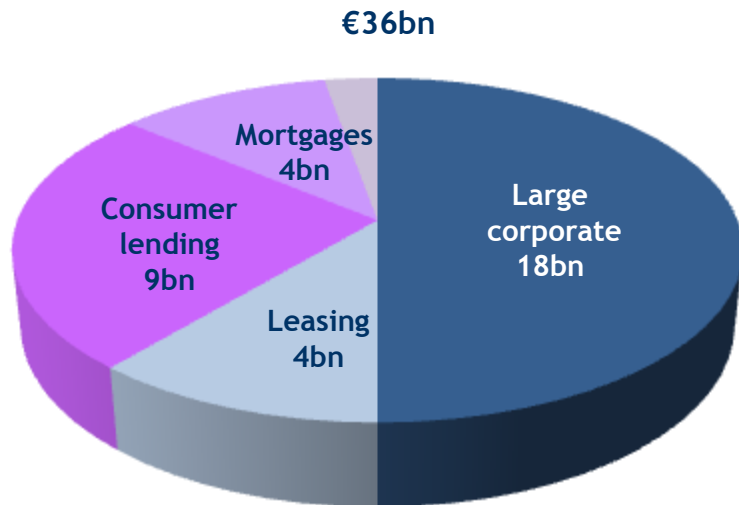
■ MOT 
 ■ Third parties 
 ■ Private placements 
 ■ Public offers

Diversification



# Loan book diversified by corporate and retail

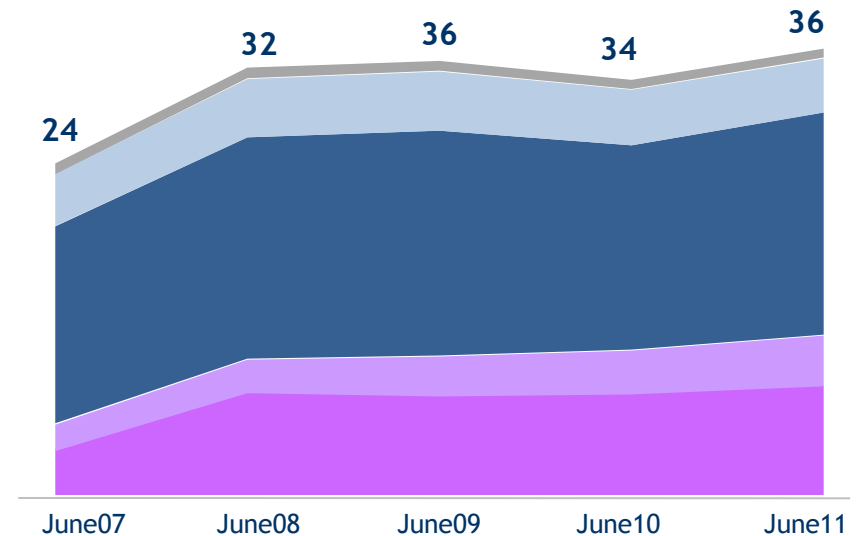
MB Group lending stock by product (€bn)



■ Consumer lending  
 ■ Mortgages  
 ■ Leasing  
 ■ Large corporate  
 ■ Private banking

- 62% of loans attributable to corporate, 50% large corporate
- 38% of loans attributable to retail, 25% consumer lending

Trends in MB Group lending stock (€bn)



■ Large corporate  
 ■ Private banking

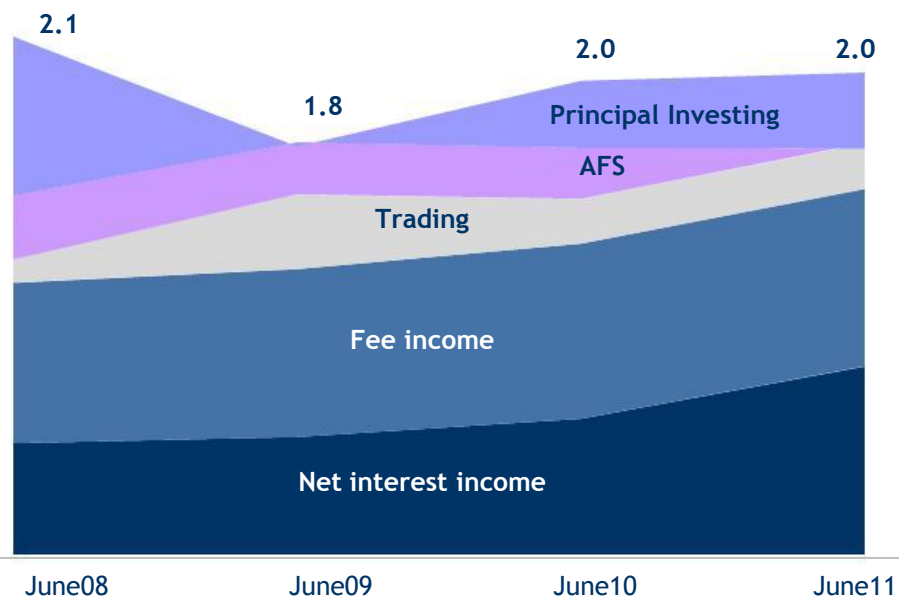
- Total loan book has increased in the last 5 years, driven particularly by consumer and retail lending

Diversification

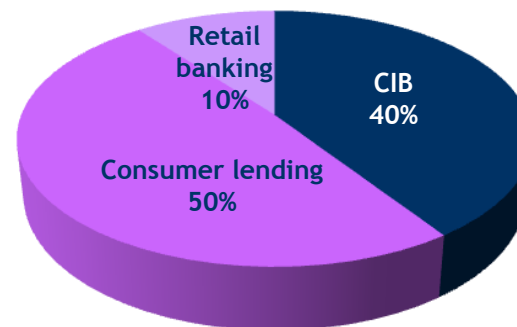


# Revenues resilient due to diversification

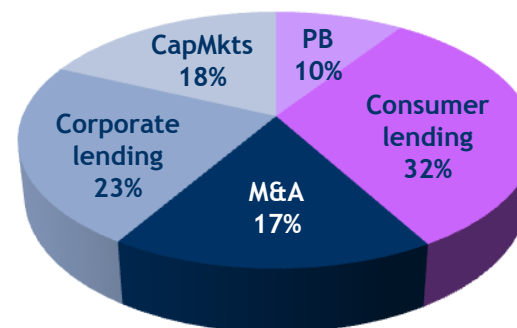
Total revenues by source (€bn)



Net interest income by business (FY11)



Fee income by business (FY11)



- NII and fees growth driven by consumer lending and retail banking; CIB resilient due to development of international operations and diversified fee income

Diversification

# A&L quality

## KPIs

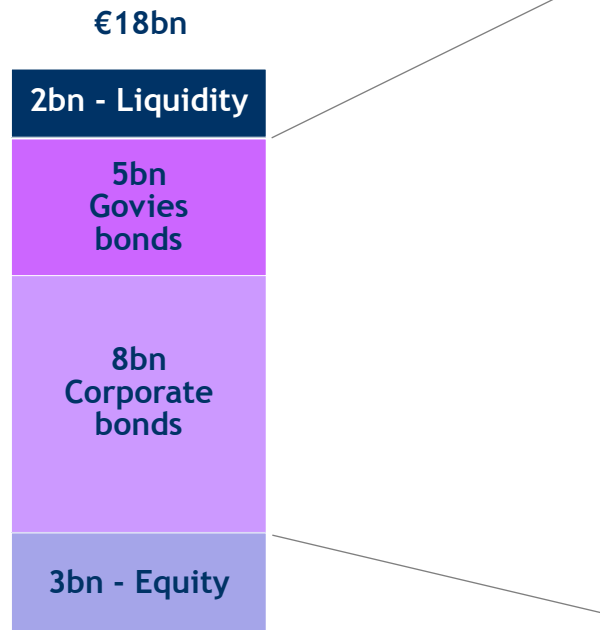
- Low leverage
- High liquidity
- Solid capital position
- Good asset quality
- Low cost/income

## Group annual KPIs trend (€bn)

	June09	June10	June11
Funding	53.4	53.8	51.7
Loans to customers	35.2	33.7	36.2
Treasury + AFS + HTM	21.0	23.3	18.7
Core Tier 1 ratio	10.3%	11.1%	11.2%
Loans/deposits	66%	63%	70%
RWA/assets	87%	86%	91%
Net Bad loans/loans	1.8%	2.3%	1.9%
Net NPLs/loans	0.3%	0.4%	0.5%
Cost/income	41%	38%	41%

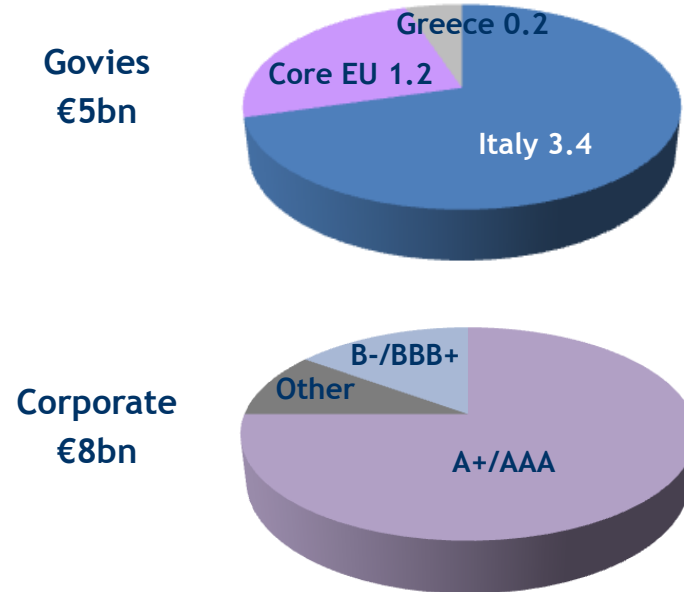
# Liquid and diversified securities portfolio

Ptf breakdown as at end-August (HFT+AFS+HTM+LR)



- Diversified portfolio
- Govies equal to 27% of bonds portfolio

Bond portfolio breakdown (€bn)

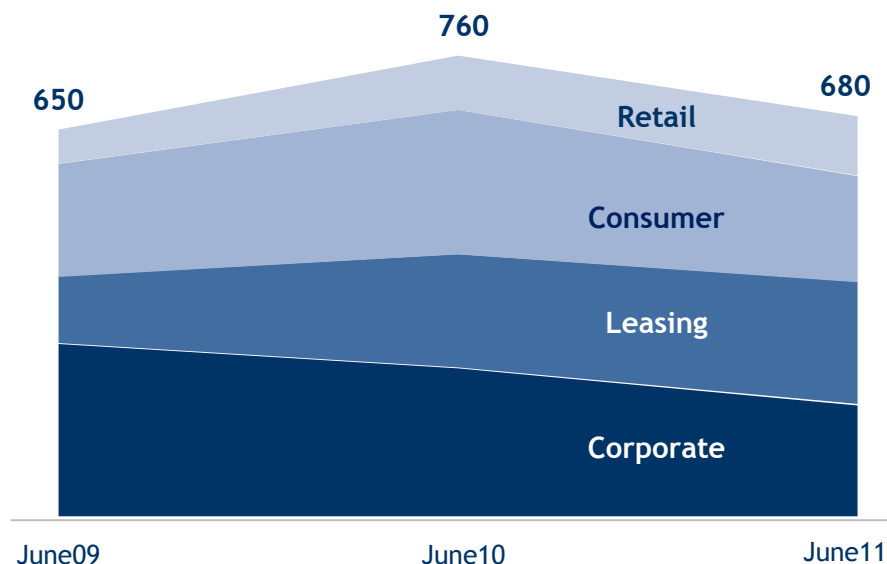


- Greek exposure reduced to €0.2bn
- 75% of corporate bonds A+/AAA rated



# Good loan book quality, high coverage

Net bad loans stock\* (€m)



Asset quality ratios trend\*

	FY10	FY11
<b>LLPs (bps)</b>	<b>150</b>	<b>120**</b>
<b>Gross Bad Ls/Ls</b>	<b>4.1%</b>	<b>3.4%</b>
NPLs	1.9%	1.4%
Watch list Ls	1.4%	1.1%
<b>Coverage Bad Ls</b>	<b>47%</b>	<b>48%</b>
NPLs	84%	74%
Watch list Ls	26%	43%
<b>Net Bad Ls/Ls</b>	<b>2.3%</b>	<b>1.9%</b>
NPLs	0.4%	0.5%
Watch list Ls	1.0%	0.7%

- Bad loans down in absolute and relative terms, driven by improvements in consumer lending and corporate
- LLPs thus down from 150 bps to 120 bps
- Coverage of bad loans at 48%, with higher provisioning on watch list

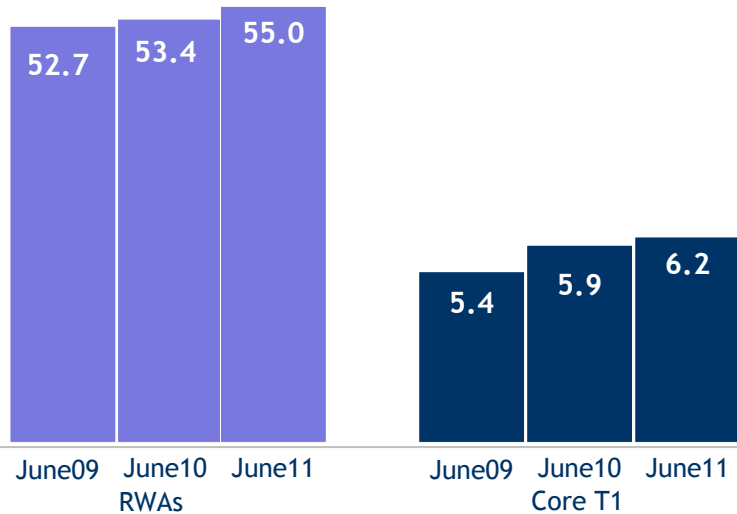
\*Net of third-parties' NPLs acquired by Cofactor; \*\* Normalized cost of risk, net of one-off writeback

# Solid capital position, low leverage

## RWAs and core tier1 (€bn), leverage ratios

RWAs / Assets = 91%

Core T1 / Assets = 11%



- RWAs and Core tier 1 up
- High capitalization and low leverage preserved

## Dividend policy

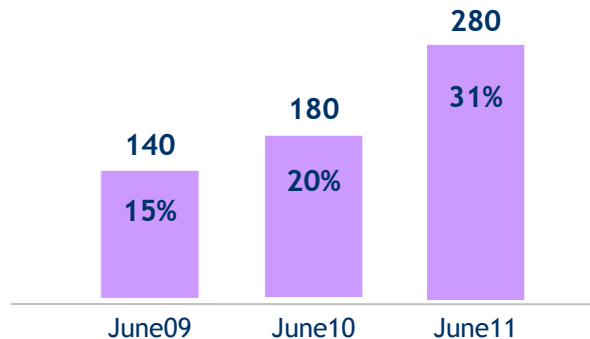
	FY09	FY10	FY11
Core Tier1 ratio	10.3%	11.1%	11.2%
Cash DPS €	0	0.17	0.17
Total dividend €m	0	144	146
Stated payout	0	36%	40%
Cashed payout	0	56%	67%
Retained earnings €m	2	257	222

- Dividend policy based on cash payout and capital ratios

# CIB: international operations boosted

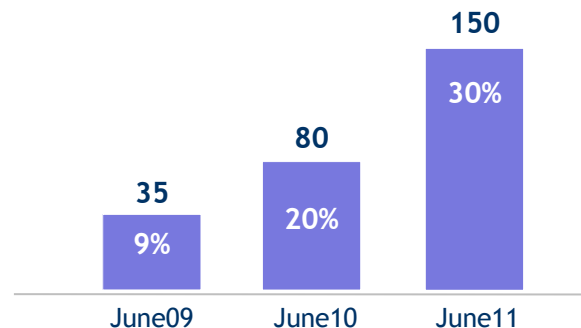
## Revenues: non-domestic/total

€m, % of banking CIB revenues

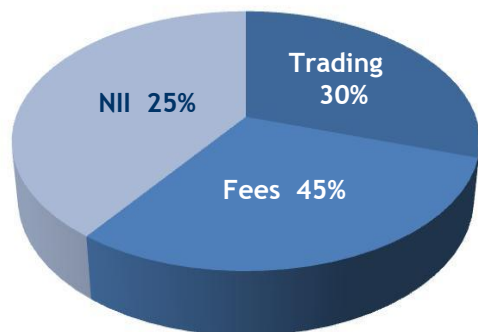


## PBT: non-domestic/total

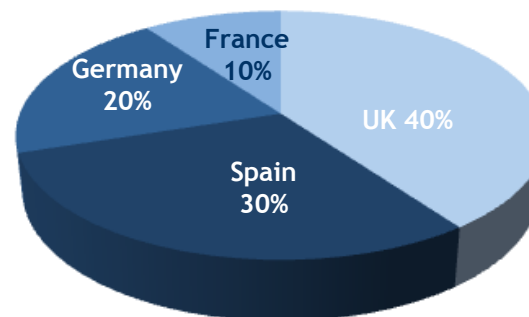
€m, % of banking CIB PBT



## Non-domestic revenues by product



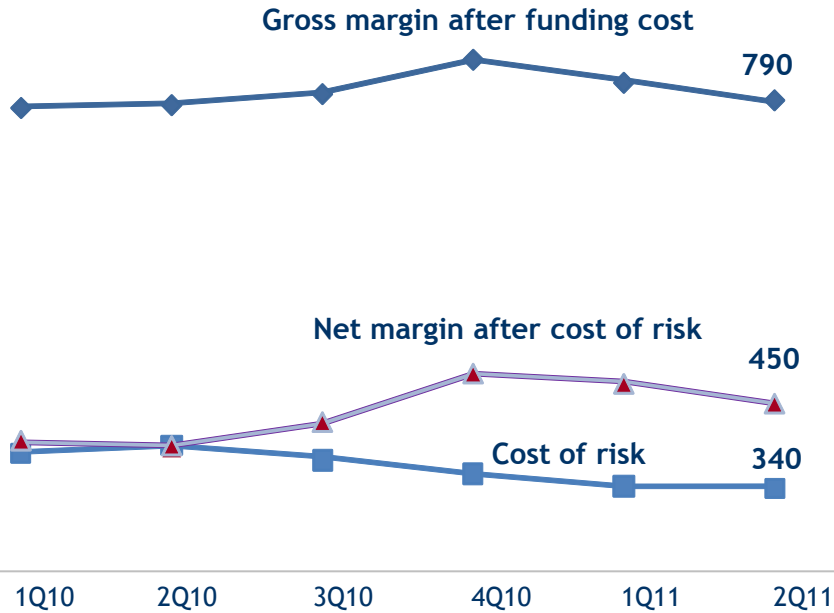
## Non-domestic revenues by country



Focus on core businesses

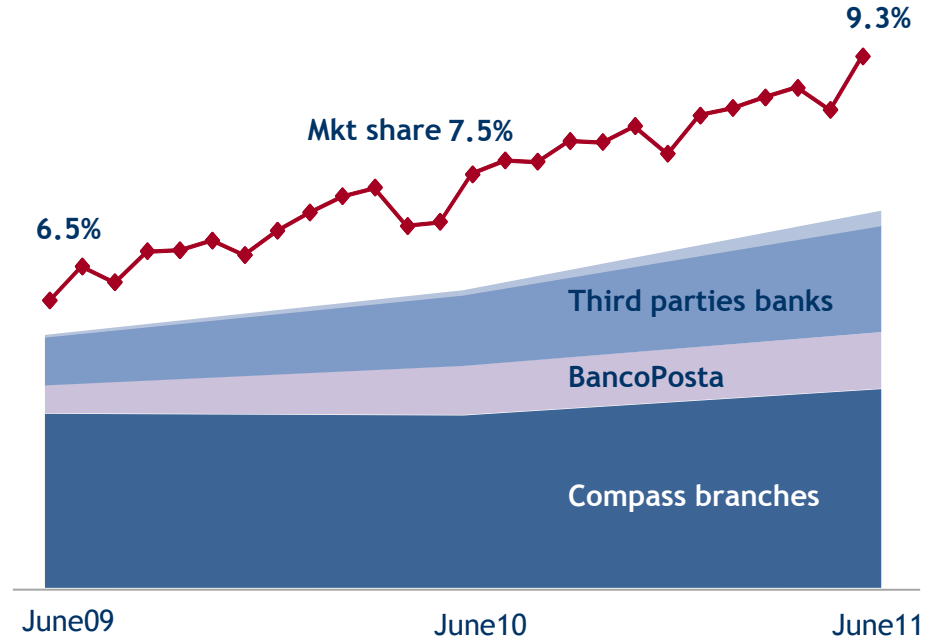
# Consumer lending: high margin retail business

Consumer lending (Compass) margins (bps)



- Compass: specialized operator in a business with interesting margins even after cost of funding and risk

Compass mkt share, distribution by channel (new PP)



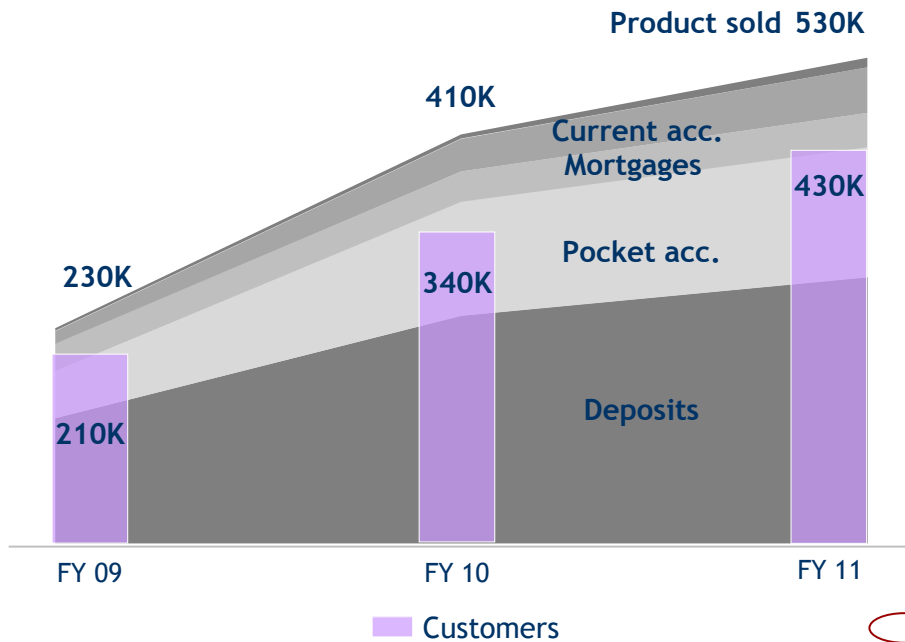
- Compass distribution drastically diversified / enlarged
- Compass market share up to 10.6% in July 2011

Focus on core businesses

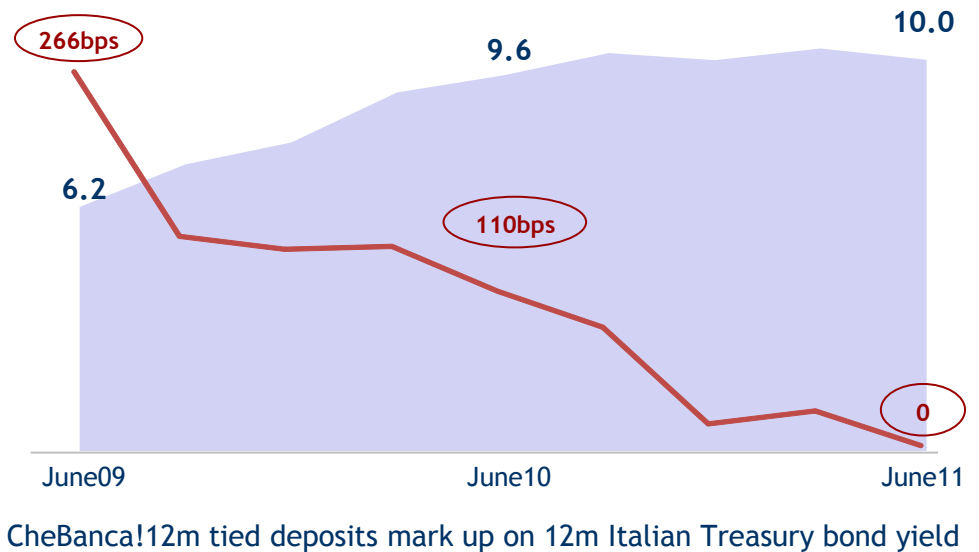


# Innovative retail banking platform still to be exploited

CheBanca! customers and products sold ('000)



CheBanca! deposits (€bn) and pricing quarterly trend



- Deposits, customers and products sold up despite CheBanca! pricing being fixed to generate NII
- CheBanca! still to be fully exploited both as funding arm and revenue generator
- Cross-selling index still low as products recently introduced (insurance, MB bonds, securities, etc.) still to be pushed

Focus on core businesses

# FY11: PBT adjusted up 27%, NII up 17%

€m	FY11 June11	FY10 June10	Δ 11/10	FY09 June09
Income one-offs	(38)	109		157
Loan loss recovery	75			
Securities writedowns	(275)	(150)		(451)
<b>Total gross one-offs</b>	<b>(238)</b>	<b>(41)</b>		<b>(294)</b>
Income adjusted	2,039	1,909	+7%	1,619
Net interest income	1,070	917	+17%	861
Fee income	520	534	-2%	512
Securities income	449	459	-2%	246
Total costs	(824)	(773)	+7%	(730)
Loan provisions	(424)	(517)	-18%	(504)
<b>PBT adjusted</b>	<b>792</b>	<b>625</b>	<b>+27%</b>	<b>385</b>
Group income	2,002	2,018	-1%	1,776
Group PBT	554	583	-5%	91
Group net profit	369	401	-8%	2

# Profitability and efficiency indexes

	FY11 June11	FY10 June10	FY09 June09
Cost/income ratio	41%	38%	41%
<i>of which</i> CIB	37%	30%	28%
RPB	54%	60%	60%
ROTE adjusted	9%	8%	5%
ROTE stated	6%	7%	0
RORWA (% gross)	1.0	1.1	0.2
<i>of which</i> CIB	1.0	1.0	0.9
RPB	1.0	(0.2)	(0.2)
<i>Consumer lending</i>	1.7	0.8	1.2
<i>Retail banking</i>	(2.5)	(5.8)	(7.3)

# What's next

- **Positive banking results for the year even in a critical environment, due to:**
  - diversification of businesses and funding sources
  - high liquidity and core tier1 capital
  - good asset quality and conservative approach
- **Macro environment becoming tougher and unhelpful to banking, de-risking as a priority**
- **MB Group focus: consolidation of banking activities**
  - Preserving liquidity, capitalization and asset quality
  - CIB: coping with margin reduction, still upgrading structures on a cost-optimization approach
  - Consumer finance: defending net margins, fuelling growth by enlarging distribution
  - Retail banking: increasing cross-selling, stronger role as a funding arm of the group





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## Declaration by Head of Company Financial Reporting

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

Massimo Bertolini



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