



MEDIOBANCA

**Mediobanca  
Board of Directors Meeting**

**Milan, 10 May 2016**



## Financial statements for period ended 31 March 2016 approved

**Loans and net interest income up 8%**

**Gross operating profit of €558m, up 11% for 9M and up 5% in Q3**

**Net profit of €442m for 9M and €121m in Q3 (up 58%)**

- ◆ The Mediobanca Group offset the pronounced adverse financial market trend, with interest rates at all-time lows, through business diversification and the high quality of its assets, delivering growth in its operating results for the nine months:
  - ◆ Lendings up 8%, to €34.8bn, with growth in both CIB (9%) and RCB (10%) and spreads resilient
  - ◆ Funding up 6%, to €45.5bn, reflecting broad diversification at lower cost
  - ◆ Net interest income up 8%, to €906m, evenly split across the three quarters, driven by ongoing and profitable growth in consumer credit (up 13% to €578m)
  - ◆ Loan loss provisions down 22% to €319m and the cost of risk declining (to 126 bps) as a result of the continuing improvement in asset quality: NPLs fell for the fifth quarter in a row, from €1,220m at end-Dec. 2014 to €1,055m, decreasing also to just 3.0% of total lendings with the coverage ratio rising to 54%; while bad loans fell from €270m at end-Dec. 2014 to €248m, 69% covered
  - ◆ Gross operating profit <sup>1</sup> up 11% (from €502m to €558m), despite the 6% rise in costs for the period (to €643m) linked to expansion of the distribution capacity and the launch of several projects relating to the Group's infrastructure, including the advanced internal rating-based model validation process (AIRB)
  - ◆ Net profit €442m (31/3/15: €466m), due solely to non-recurring items (e.g. one-off contribution to Bank Resolution Fund totalling €57m)
  - ◆ Capital ratios<sup>2</sup> stable at the best sector levels:
    - CET1: 12.5% phased-in (13.2% fully phased) with RWA stable at €60bn helped by the first optimization measures (market risks reduction)
    - Total capital: 15.7% phased-in (16.2% fully phased)
    - Cost/income ratio: 42%
    - ROTE: 7%
- ◆ A net profit of €121m was delivered for the quarter, up 58% Q.o.Q, due to growth in the banking businesses (which saw revenues increase by 2%, and GOP up 20%) recorded in all segments:

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<sup>1</sup> Net of cost of risk.

<sup>2</sup> Includes profit for the period net of estimated dividend; fully-phased: full application of CRR/CRDIV - in particular the right to include the whole AFS reserve in the calculation of CET1 - and the Assicurazioni Generali investment weighted at 370%.



- ◆ **CIB:** revenues (up 6%) and GOP (up 28%) reflect the strong performance in CMS business for clients,<sup>3</sup> growth in lendings (up 11%), and the cost of risk being reduced to zero (helped by writebacks of several positions)
- ◆ **RCB:** revenues (up 2%) and GOP (up 14%) were boosted by the growth in net interest income (up 13%) and the ongoing improvement in asset quality (cost of risk declining to 225 bps). Fee income from asset management products sold by CheBanca! continues (AUM up to €3.8bn from €3.6bn at end-Dec. 2015).

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

## Consolidated results

**The Mediobanca Group tackled the widespread market turmoil with interest rates at all/time lows through business diversification and the high quality of its assets, delivering growth in its operating results**

The Mediobanca Group's results for the nine months reflect stable revenues of €1,519m, following an impressive 7.8% increase in net interest income which made up for the reduction in revenues from treasury operations from €181.4m to €97.4m due to the strong market turmoil. The substantial reduction in loan loss provisions (down from €410m to €318.8m), in all business segments, only partly offset by rising operating costs (up from €603.9m to €642.7m), drove an improvement in gross operating profit, up 5%, from €606m to €637m; while the contributions made to the Bank Resolution Fund (which totalled €85.8m, including the estimated share for 2016) cut the net profit from €465.6m to €442.4m. Looking at the performance by business line, there was strong growth in the net profit earned by retail and consumer banking (from €52.8m to €119m), which offset the reduction in wholesale banking (from €157.5m to €100.1m) impacted by the fall in trading income (from €181.4m to €97.4m); while the result posted by principal investing improved from €233.2m to €266.3m.

The main income items performed as follows:

- ◆ net interest income showed a 7.8% increase, from €839.9m to €905.7m, bearing out the same trend witnessed in recent quarters: consumer business up 13.3% (from €510.4m to €578.4m) due to higher volumes with profitability resilient, and wholesale banking declining (from €160m to €142.5m), due to the lower returns on assets outweighing the trend in the cost of funding;
- ◆ net treasury income totalled €97.4m (€181.4m), with €43.7m added by fixed-income trading in the third quarter;
- ◆ net fee and commission income totalled €336.4m, down on the €361m reported at the same stage last year, due to a reduction in fees generated by wholesale business (down from €198.2m to €172.4m) and consumer business (from €115.1m to €91.2m), reflecting the less favourable market trend than last year;

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<sup>3</sup> CMS: Capital Market Solutions.



- ◆ the contribution from equity-accounted companies increased from €133.3m to €179.5m, due to the higher profits earned by Assicurazioni Generali in the third quarter totalling €41m (31/3/15: €10m).

Operating costs grew by 6.4%, from €603.9m to €642.7m, due to strengthening of the risk management system and expansion of the Group's retail and consumer businesses.

Loan loss provisions fell by 22.2%, from €410m to €318.8m: €18.1m (€56.5m) in corporate and private banking, €290.5m (€342m) in retail and consumer finance, and €10.6m (€12.4m) in leasing. Provisioning for the third quarter totalled €95m, with the wholesale segment's contribution virtually nil as a result of several reversals. The reduction in the cost of risk from 174 bps to 126 bps did not affect the NPL coverage ratio, which rose to 54% (31/12/15: 53%), near the highest levels seen in the last three-year period.

Net gains on the securities portfolio of €98m (€117.5m) include the gain realized on tendering the Bank's investment in Pirelli in connection with the public tender offer for the company (€87.7m), whereas writedowns to AFS securities total €17m (€13.6m).

Other provisions and charges of €91.3m consist of the €57.3m one-off contribution to the Bank Resolution Fund for the action taken in respect of Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Chieti and Cassa di Risparmio di Ferrara; €25.3m by way of ordinary contributions to the Bank Resolution Fund (including the estimated amount for 2016), and €3.2m in respect of the Italian interbank deposit guarantee fund for 2H 2015.

**In Q3 the Group delivered a net profit of €121m (up 58% Q.o.Q), due to growth in the banking businesses (revenues up 2%, GOP up 20%) across all segments:**

- ◆ CIB: revenues grew 6% Q.o.Q. driven by trading income deriving from client Capital Market Solutions business, helped by the increased volatility on financial markets. The result net of the cost of risk was up 28%, due to the improvement in asset quality and to several writebacks. There was also healthy, 11% growth in corporate loans during the third quarter, to €14.7bn, with a low risk profile and stable returns;
- ◆ RCB: ongoing growth in lending, on resilient returns, continues to drive growth in net interest income which was up 2% Q.o.Q., while fee income from asset management products sold by CheBanca! continues to strengthen (AUM up to €3.8bn from €3.6bn at end-Dec. 2015). Overall revenues were up 2% Q.o.Q. and GOP up 14%, due to ongoing improvement in the quality of assets (with the cost of risk declining to 111 bps).

**On the balance-sheet side, the figures reflect diversified growth in both lending and funding, with NPLs decreasing further and the capital ratios remaining at high levels:**

- ◆ Loans and advances to customers reflect an 8% increase since 31 March 2015, from €32.3bn to €34.8bn, with a healthy contribution from wholesale banking (up 9.4%), consumer finance (up 9.9%) and mortgage lending (up 9.1%), while the reduction in leasing continues (down 8.3%). NPLs decreased by 10% (from €1,173m to €1,055.2m), and represent 3% (3.6%) of the total loan book, with the coverage ratio up to 54% (near the highest levels seen in the three-year period, for consumer business in particular over 75%).
- ◆ Funding rose from €42.8bn to €45.5bn due to new debt security issuance, new short-term funding and the increase in retail deposits by CheBanca! (from €10.1bn to €10.4bn). New bond



issuance totalling €3.4bn was made in the nine months (€0.5bn of which in the form of subordinate Lower Tier 2 bonds and approx. €0.7bn in covered bonds), redemptions of €2.9bn and new commercial paper totalling €0.9bn;

- ◆ Liquid assets and the securities portfolio remained stable at €15.5bn, and reflect prudent asset allocation;
- ◆ the Group's capital ratios as at 31 March 2016 remain at high levels:<sup>4</sup>
  - ◆ phased-in: CET1 ratio 12.48%, total capital ratio 15.70% and leverage ratio 11.0%
  - ◆ fully-phased ((i.e. full application of CRR/CRDIV - in particular the right to include the whole AFS reserve in the calculation of CET1 - and the Assicurazioni Generali investment weighted at 370%): CET1 ratio 13.24%, total capital ratio 16.15%, and leverage ratio 11.6%.

## Divisional results

### **Wholesale Banking: revenues and profit declining, due to negative market scenario. Volumes (up 8%), revenues (up 6%) and ROAC (7%) all higher in Q3**

The performance in wholesale banking reflects a negative scenario: the leading investment banks have all shown double-digit dips in revenues, hampered by the weak markets and unfavourable comparison base given the positive start to 2015.

In the nine months under review:

- ◆ net interest income fell by 10.9%, from €160m to €142.5m, due to the ongoing negative repricing of asset yields, treasury assets in particular, which has translated to consecutive reductions in this item for the last three quarters (€52.2m, €47.2m and €43.1m);
- ◆ net trading income fell from €162.8m to €78.4m due to lower gains on forex trading of (€17.9m (€76.5m) and banking book securities of €6.7m (€62.8m);
- ◆ net fee and commission income declined to €172.4m (€198.2m), on lower contributions from equity capital market activity (from €87.5m to €52.8m) and lending (from €61.1m to €40.4m); meanwhile there was an increase in fees from M&A (from €23.1m to €46.2m);

The 7.6% increase in operating costs, from €200.2m to €215.4m, reflects the growth in size and also non-recurring costs due to specific projects. This was offset by the reduction in loan loss provisions, which stood at €17.6m (€55.6m), boosted in the third quarter by the lack of new additions to this category along with reversals of previous provisions totalling some €7m; NPLs remained stable at 2.6% of the loan book (31/12/15: 2.6%), while the coverage ratio remains stable at 47%.

For Q3 the following aspects stand out in particular:

- ◆ recovering lending volumes (up from €13.2bn to €14.7bn), with a good risk profile and stable profitability
- ◆ a 6% rise in revenues, to €143m, driven by client capital market solutions business accounted for as part of net trading income (€48.6m)
- ◆ flat operating costs (€75m) and a declining cost/income (52%)
- ◆ growth of 38% in GOP, in part due to the loan writebacks referred to earlier
- ◆ improvements in net profit (to €51m) and ROAC (to 7%).

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<sup>4</sup> Includes profit for the period net of estimated dividend.



## **Private Banking: AUM stable at €18bn**

This division delivered a net profit of €25.2m (€27.1m), with revenues up slightly, from €101.8m to €103.1m, on 8.7% growth in net interest income and a 5.9% rise in fees and commissions, in part offset by lower treasury income of €8.9m (€13.5m). Operating costs were up 11.8%, reflecting the consolidation of Cairn Capital (adding €4.8m for the three months). Assets under management on a discretionary and/or non-discretionary basis at the reporting date totalled €18.1bn (31/12/15: €18.3bn), €7.6bn (€7.8bn) of which for CMB, €8.5bn (€8.6bn) for Banca Esperia and €2bn in credit funds managed by Cairn Capital. Assets under management on a non-discretionary basis include €6.1bn in assets under long-term advice and legacy assets held by Cairn Capital.

## **Consumer credit: growth in lending, revenues and earnings continues; net profit doubled to €113m, ROAC 19%**

Compass saw its growth in volumes, revenues and profitability continue during the nine months under review:

- ◆ revenues rose by 7%, from €625.7m to €669.6m, driven by net interest income which was up 13.3% (from €510.4m to €578.4m), on higher volumes with returns stable on loans against a further reduction in the cost of funding;
- ◆ the cost/income ratio stood at 31% (34%), helped by lower operating costs (down from €140m to €127.8m);
- ◆ loan loss provisions were down 15.2%, from €327.7m to €278m, reflecting the reduction in new additions to the non-performing category and continuously improving credit recovery procedures: the cost of risk therefore fell in the third quarter from 341 bps to 328 bps (versus 374 bps last year), despite coverage ratios being near their highs for recent years (75% for NPLs and 1.6% for performing loans);
- ◆ Net profit virtually doubled, from €61.7m to €112.6m, despite €24.1m in non-recurring charges.
- ◆ ROAC above 19%

Loans and advances to customers as at 31 March 2016 rose by 2.5% were up 2.5% (from €11,399.9m to €11,683.7m), following higher new loans of €4,707.4m (€4,590m). Non-performing items declined from €252.2m to €243.6m, declining to just 2.1% of the total loan book on a coverage ratio of over 75%.

## **Retail banking: focus on asset management, indirect funding €3.8bn; net profit €6.4m**

The €6.4m profit for the nine months compares with an €8.9m loss last year, following an 18.8% increase in revenues driven by net interest income (up 10.7%) and fees and commissions (which rose from €18.8m to €30.6m) including earned on asset management and insurance products, for which AUM reached €2,856m (30/6/15: €1,946.2m; 31/12/15: €2,682m). Loan loss provisions of €12.5m (€14.3m) reflect a cost of risk of 35 bps (43 bps) and a stable coverage ratio of 48.9%. In the third quarter retail funding remained virtually unchanged at €10.4bn, helped by the new promotion on three-month tied products and growth in current accounts (up from €2,927m to €3,210m). The increase in loans and advances, from €4,825.1m to €4,904.1m reflect the strong growth in new loans (from €444m to €767m) and also the resumption in mortgage subrogations.



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### **Principal Investing: profits increasing to €266m**

This division delivered a net profit of €266.3m for the nine months, representing an improvement on the €233.2m posted at the same stage last year, due chiefly to a higher contribution from Assicurazioni Generali (up from €133.7m to €178.6m). In the nine months under review there have been gains on disposals totalling €96.9m (€87.7m of which in respect of the Pirelli investment) and value adjustments totalling €17m.

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## Restated consolidated profit and loss accounts

Mediobanca Group (€ m)	9 mths	9 mths	Y.o.Y. chg. %
	31/03/15	31/03/16	
Net interest income	839.9	905.7	7.8%
Net treasury income	181.4	97.4	-46.3%
Net fee and commission income	361.0	336.4	-6.8%
Equity-accounted companies	133.3	179.5	34.7%
<b>Total income</b>	<b>1,515.6</b>	<b>1,519.0</b>	<b>0.2%</b>
Labour costs	(299.5)	(319.8)	6.8%
Administrative expenses	(304.4)	(322.9)	6.1%
<b>Operating costs</b>	<b>(603.9)</b>	<b>(642.7)</b>	<b>6.4%</b>
Gains (losses) on AFS, HTM & LR	117.5	98.0	-16.6%
Loan loss provisions	(410.0)	(318.8)	-22.2%
Provisions for other financial assets	(13.2)	(18.5)	40.2%
Other income (losses)	0.0	(91.3)	n.m.
<b>Profit before tax</b>	<b>606.0</b>	<b>545.7</b>	<b>-10.0%</b>
Income tax for the period	(138.3)	(100.1)	-27.6%
Minority interest	(2.1)	(3.2)	52.4%
<b>Net profit</b>	<b>465.6</b>	<b>442.4</b>	<b>-5.0%</b>

## Quarterly profit and loss accounts

Mediobanca Group (€ m)	FY14/15				FY15/16		
	I Q	II Q	III Q	IV Q	I Q	II Q	III Q
	30/9/14	31/12/14	31/3/15	30/6/15	30/9/15	31/12/15	31/3/16
Net interest income	267.1	280.8	292.0	302.6	302.5	301.8	301.4
Net treasury income	55.6	27.2	98.6	25.7	26.2	19.6	51.6
Net fee and commission income	147.2	113.1	100.7	110.8	95.8	131.6	109.0
Equity-accounted companies	55.5	67.7	10.1	90.7	82.6	56.2	40.7
<b>Total income</b>	<b>525.4</b>	<b>488.8</b>	<b>501.4</b>	<b>529.8</b>	<b>507.1</b>	<b>509.2</b>	<b>502.7</b>
Labour costs	(92.3)	(100.6)	(106.6)	(119.8)	(98.1)	(111.6)	(110.1)
Administrative expenses	(93.1)	(106.4)	(104.9)	(123.5)	(98.7)	(111.4)	(112.8)
<b>Operating costs</b>	<b>(185.4)</b>	<b>(207.0)</b>	<b>(211.5)</b>	<b>(243.3)</b>	<b>(196.8)</b>	<b>(223.0)</b>	<b>(222.9)</b>
Gains (losses) on AFS, HTM & LR	4.5	11.4	101.6	8.1	88.5	4.0	5.5
Loan loss provisions	(120.5)	(180.2)	(109.3)	(122.7)	(115.4)	(109.0)	(94.4)
Provisions for other financial assets	(6.6)	(4.7)	(1.9)	(7.2)	(3.5)	(9.3)	(5.7)
Other income (losses)	0.0	0.0	0.0	(13.6)	0.0	(71.5)	(19.8)
<b>Profit before tax</b>	<b>217.4</b>	<b>108.3</b>	<b>280.3</b>	<b>151.1</b>	<b>279.9</b>	<b>100.4</b>	<b>165.4</b>
Income tax for the period	(56.9)	(7.2)	(74.2)	(25.9)	(34.5)	(22.7)	(42.9)
Minority interest	(0.5)	(0.5)	(1.1)	(1.0)	(1.1)	(0.9)	(1.2)
<b>Net profit</b>	<b>160.0</b>	<b>100.6</b>	<b>205.0</b>	<b>124.2</b>	<b>244.3</b>	<b>76.8</b>	<b>121.3</b>





## Restated balance sheet

Mediobanca Group (€ m)	30/06/15	31/12/15	31/03/16
<b>Assets</b>			
Treasury funds	4,920.3	6,360.4	4,496.5
AFS securities	8,063.1	8,109.7	8,755.6
<i>of which: fixed income</i>	6,950.5	7,181.6	7,822.3
<i>equities</i>	1,081.1	877.9	878.9
Fixed assets (HTM & LR)	1,793.9	1,515.3	2,269.6
Loans and advances to customers	32,889.6	33,002.3	34,827.0
Equity investments	3,411.4	3,113.0	3,219.6
Tangible and intangible assets	718.9	765.2	759.1
Other assets	1,411.9	1,335.4	1,331.1
<i>of which: tax assets</i>	954.2	869.9	873.7
<b>Total assets</b>	<b>53,209.1</b>	<b>54,201.3</b>	<b>55,658.5</b>
<b>Liabilities</b>			
Funding	42,711.3	44,266.7	45,471.9
<i>of which: debt securities in issue</i>	19,671.1	20,763.6	21,123.8
<i>retail deposits</i>	9,634.8	10,402.2	10,389.1
Other liabilities	1,446.1	1,214.9	1,267.4
<i>of which: tax liabilities</i>	625.0	512.6	541.0
Provisions	184.6	181.2	183.1
Net equity	8,277.3	8,217.4	8,293.7
<i>of which: share capital</i>	433.6	435.2	435.5
<i>reserves</i>	7,735.7	7,693.6	7,768.8
<i>minority interest</i>	108.0	88.6	89.4
Profit for the period	589.8	321.1	442.4
<b>Total liabilities</b>	<b>53,209.1</b>	<b>54,201.3</b>	<b>55,658.5</b>
Core tier 1 capital*	7,137.5	7,288.1	7,490.8
Total capital*	8,882.6	9,437.2	9,425.8
RWAs*	59,577.1	58,770.4	60,025.5

## Ratios (%) and per share data (€)

Mediobanca Group (€m)	30/06/15	31/12/15	31/03/16
Total assets/net equity	6.4	6.6	6.7
Loans/deposits	0.8	0.7	0.8
Core tier 1 ratio*	12.0	12.4	12.5
Regulatory capital/RWAs*	14.9	16.1	15.7
S&P rating	BBB-	BBB-	BBB-
Rating Fitch	BBB+	BBB+	BBB+
Cost/income ratio	41.4	41.3	42.3
Bad loans ( <i>sofferenze</i> ) /loans	0.8	0.8	0.7
EPS (€)	0.7	0.4	0.5
BVPS (€)	9.4	9.3	9.4
DPS (€)	0.25	-	-
No. of shares outstanding (millions)	867.2	870.4	871.0

\* Data calculated in accordance with prudential regulations (CRR/CRD IV, i.e. Basel III, phase-in, AG stake weighted at 370%)



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

9 mths to 31/03/16 (€m)	Corporate & Private Banking	Principal Investing	Retail & Consumer Banking	Corporate Center	Group
Net interest income	170.0	0.0	691.3	40.7	905.7
Net treasury income	87.3	15.9	0.0	0.2	97.4
Net fee and commission income	239.1	0.0	121.8	8.6	336.4
Equity-accounted companies	0.0	178.6	0.0	0.0	179.5
<b>Total income</b>	<b>496.4</b>	<b>194.5</b>	<b>813.1</b>	<b>49.5</b>	<b>1,519.0</b>
Labour costs	(168.2)	(5.7)	(125.6)	(20.5)	(319.8)
Administrative expenses	(124.0)	(1.1)	(199.8)	(28.6)	(322.9)
<b>Operating costs</b>	<b>(292.2)</b>	<b>(6.8)</b>	<b>(325.4)</b>	<b>(49.1)</b>	<b>(642.7)</b>
Gains (losses) on AFS equity	1.1	96.9	0.0	0.0	98.0
Loan loss provisions	(18.1)	0.0	(290.5)	(10.6)	(318.8)
Provisions for other financial assets	(1.5)	(17.0)	0.0	0.0	(18.5)
Other income (losses)	0.0	0.0	(5.5)	(85.8)	(91.3)
<b>Profit before tax</b>	<b>185.7</b>	<b>267.6</b>	<b>191.7</b>	<b>(96.0)</b>	<b>545.7</b>
Income tax for the period	(60.4)	(1.3)	(72.7)	31.9	(100.1)
Minority interest	0.0	0.0	0.0	(3.2)	(3.2)
<b>Net profit</b>	<b>125.3</b>	<b>266.3</b>	<b>119.0</b>	<b>(67.3)</b>	<b>442.4</b>
Treasury funds	5,519.6	0.0	8,782.4	13.8	4,496.5
AFS securities	7,563.7	870.3	534.2	0.0	8,755.6
Fixed assets (HTM & LR)	5,174.0	0.0	369.7	0.0	2,269.6
Equity investments	0.0	3,123.9	0.0	0.0	3,219.6
Loans and advances to customers	26,757.8	0.0	16,587.8	2,581.6	34,827.0
<i>of which to Group companies</i>	<i>10,590.3</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>
Funding	(42,098.9)	0.0	(25,101.3)	(2,516.9)	(45,471.9)
RWAs	33,526.6	11,383.7	12,881.9	2,233.3	60,025.5
No. of staff	1,125 *	0	2,568	456	4,009

\* Includes 140 staff employed by Banca Esperia pro-forma, not included in the Group total and 60 employees of Cairn Capital.



9 mths to 31/03/15 (€m)	Corporate & Private Banking	Principal Investing	Retail & Consumer Banking	Corporate Center	Group
Net interest income	185.3	0.0	612.4	40.1	839.9
Net treasury income	176.3	10.4	0.2	0.0	181.4
Net fee and commission income	261.2	0.0	133.9	7.0	361.0
Equity-accounted companies	0.0	133.7	0.0	0.0	133.3
<b>Total income</b>	<b>622.8</b>	<b>144.1</b>	<b>746.5</b>	<b>47.1</b>	<b>1,515.6</b>
Labour costs	(160.8)	(6.7)	(115.5)	(25.3)	(299.5)
Administrative expenses	(108.1)	(1.5)	(211.1)	(17.6)	(304.4)
<b>Operating costs</b>	<b>(268.9)</b>	<b>(8.2)</b>	<b>(326.6)</b>	<b>(42.9)</b>	<b>(603.9)</b>
Gains (losses) on AFS equity	1.3	116.5	0.0	0.0	117.5
Loan loss provisions	(56.5)	0.0	(342.0)	(12.4)	(410.0)
Provisions for other financial assets	0.4	(13.6)	0.0	0.0	(13.2)
Other income (losses)	(2.7)	0.0	0.0	0.0	0.0
<b>Profit before tax</b>	<b>296.4</b>	<b>238.8</b>	<b>77.9</b>	<b>(8.2)</b>	<b>606.0</b>
Income tax for the period	(111.8)	(5.6)	(25.1)	1.1	(138.3)
Minority interest	0.0	0.0	0.0	(2.1)	(2.1)
<b>Net profit</b>	<b>184.6</b>	<b>233.2</b>	<b>52.8</b>	<b>(9.2)</b>	<b>465.6</b>
Treasury funds	6,029.0	0.0	7,472.8	132.4	6,006.4
AFS securities	5,896.1	1,340.7	690.5	0.0	7,627.2
Fixed assets (HTM & LR)	4,902.5	0.0	1,255.9	0.0	1,756.8
Equity investments	0.0	3,063.4	0.0	0.0	3,160.8
Loans and advances to customers	25,029.8	0.0	15,125.6	2,813.8	32,278.8
<i>of which to Group companies</i>	10,282.7	n.m.	n.m.	n.m.	n.m.
Funding	(39,274.0)	0.0	(23,549.9)	(2,849.6)	(42,831.7)
RWAs	34,751.8	11,908.4	11,663.1	2,419.8	60,743.1
No. of staff	1,009 *	0	2,429	388	3,690

\* Includes 136 staff employed by Banca Esperia pro-forma, not included in the Group total.



Corporate & Private Banking

CIB (€m)	9 mths		Y.o.Y. chg. %
	31/03/15	31/03/16	
Net interest income	185.3	170.0	-8.3%
Net treasury income	176.3	87.3	-50.5%
Net fee and commission income	261.2	239.1	-8.5%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>622.8</b>	<b>496.4</b>	<b>-20.3%</b>
Labour costs	(160.8)	(168.2)	4.6%
Administrative expenses	(108.1)	(124.0)	14.7%
<b>Operating costs</b>	<b>(268.9)</b>	<b>(292.2)</b>	<b>8.7%</b>
Gains (losses) on AFS, HTM & LR	1.3	1.1	-15.4%
Loan loss provisions	(56.5)	(18.1)	-68.0%
Provisions for other financial assets	0.4	(1.5)	n.m.
Other income (losses)	(2.7)	0.0	n.m.
<b>Profit before tax</b>	<b>296.4</b>	<b>185.7</b>	<b>-37.3%</b>
Income tax for the period	(111.8)	(60.4)	-46.0%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>184.6</b>	<b>125.3</b>	<b>-32.1%</b>
Treasury funds	6,029.0	5,519.6	-8.4%
AFS securities	5,896.1	7,563.7	28.3%
Fixed assets (HTM & LR)	4,902.5	5,174.0	5.5%
Equity investments	0.0	0.0	n.m.
Loans and advances to customers	25,029.8	26,757.8	6.9%
<i>of which to Group companies</i>	10,282.7	10,590.3	3.0%
Funding	(39,274.0)	(42,098.9)	7.2%
RWAs	34,751.8	33,526.6	-3.5%
No. of staff	1,009	1,125	11.5%
Cost/income ratio (%)	43.2	58.9	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	0.0	0.0	



Wholesale Banking (€ m)	9 mths	9 mths	Y.o.Y. chg. %
	31/03/15	31/03/16	
Net interest income	160.0	142.5	-10.9%
Net treasury income	162.8	78.4	-51.8%
Net fee and commission income	198.2	172.4	-13.0%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>521.0</b>	<b>393.3</b>	<b>-24.5%</b>
Labour costs	(119.6)	(123.5)	3.3%
Administrative expenses	(80.6)	(91.9)	14.0%
<b>Operating costs</b>	<b>(200.2)</b>	<b>(215.4)</b>	<b>7.6%</b>
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(55.6)	(17.6)	-68.3%
Provisions for other financial assets	0.6	(1.4)	n.m.
Other income (losses)	0.0	0.0	n.m.
<b>Profit before tax</b>	<b>265.8</b>	<b>158.9</b>	<b>-40.2%</b>
Income tax for the period	(108.3)	(58.8)	-45.7%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>157.5</b>	<b>100.1</b>	<b>-36.4%</b>
Loans and advances to customers	23,707.1	25,279.0	6.6%
<i>of which to Group companies</i>	<i>10,282.7</i>	<i>10,590.3</i>	<i>3.0%</i>
RWA	32,888.6	31,753.2	-3.5%
No. of staff	640	674	5.3%
Cost/income ratio (%)	38.4	54.8	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	0.0	0.0	



Private Banking (€ m)	9 mths	9 mths	Y.o.Y. chg. %
	31/03/15	31/03/16	
Net interest income	25.3	27.5	8.7%
Net treasury income	13.5	8.9	-34.1%
Net fee and commission income	63.0	66.7	5.9%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>101.8</b>	<b>103.1</b>	<b>1.3%</b>
Labour costs	(41.2)	(44.7)	8.5%
Administrative expenses	(27.5)	(32.1)	16.7%
<b>Operating costs</b>	<b>(68.7)</b>	<b>(76.8)</b>	<b>11.8%</b>
Gains (losses) on AFS equity	1.3	1.1	-15.4%
Loan loss provisions	(0.9)	(0.5)	-44.4%
Provisions for other financial assets	(0.2)	(0.1)	-50.0%
Other income (losses)	(2.7)	0.0	n.m.
<b>Profit before tax</b>	<b>30.6</b>	<b>26.8</b>	<b>-12.4%</b>
Income tax for the period	(3.5)	(1.6)	-54.3%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>27.1</b>	<b>25.2</b>	<b>-7.0%</b>
Loans and advances to customers	1,322.7	1,478.8	11.8%
RWA	1,863.2	1,773.4	-4.8%
AUM/AUA*	18,819.2	27,072.1	43.9%
ow Asset under management	16,666.0	18,071.9	8.4%
Asset under administration	2,153.2	9,000.2	n.m.
No. of staff	369	451	22.2%
Cost/income ratio (%)	67.5	74.5	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	0.2	0.2	

*Cairn Capital included as at March 16*



## Principal Investing

PI (€ m)	9 mths		Y.o.Y. chg. %
	31/03/15	31/03/16	
Net interest income	0.0	0.0	n.m.
Net treasury income	10.4	15.9	52.9%
Net fee and commission income	0.0	0.0	n.m.
Equity-accounted companies	133.7	178.6	33.6%
<b>Total income</b>	<b>144.1</b>	<b>194.5</b>	<b>35.0%</b>
Labour costs	(6.7)	(5.7)	-14.9%
Administrative expenses	(1.5)	(1.1)	-26.7%
<b>Operating costs</b>	<b>(8.2)</b>	<b>(6.8)</b>	<b>-17.1%</b>
Gains (losses) on AFS equity	116.5	96.9	-16.8%
Loan loss provisions	0.0	0.0	n.m.
Provisions for other financial assets	(13.6)	(17.0)	25.0%
Other income (losses)	0.0	0.0	n.m.
<b>Profit before tax</b>	<b>238.8</b>	<b>267.6</b>	<b>12.1%</b>
Income tax for the period	(5.6)	(1.3)	-76.8%
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>233.2</b>	<b>266.3</b>	<b>14.2%</b>
AFS securities	1,340.7	870.3	-35.1%
Equity investments	3,063.4	3,123.9	2.0%
RWAs*	11,908.4	11,383.7	-4.4%

\* Calculated in accordance with CRR/CRDIV ( i.e. Basilea III, phased in, AG weighting of 370%)



Retail & Consumer Banking

RCB (€ m)	9 mths		Y.o.Y. chg. %
	31/03/15	31/03/16	
Net interest income	612.4	691.3	12.9%
Net treasury income	0.2	0.0	n.m.
Net fee and commission income	133.9	121.8	-9.0%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>746.5</b>	<b>813.1</b>	<b>8.9%</b>
Labour costs	(115.5)	(125.6)	8.7%
Administrative expenses	(211.1)	(199.8)	-5.4%
<b>Operating costs</b>	<b>(326.6)</b>	<b>(325.4)</b>	<b>-0.4%</b>
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(342.0)	(290.5)	-15.1%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	(5.5)	n.m.
<b>Profit before tax</b>	<b>77.9</b>	<b>191.7</b>	<b>n.m.</b>
Income tax for the period	(25.1)	(72.7)	n.m.
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>52.8</b>	<b>119.0</b>	<b>n.m.</b>
Treasury funds	7,472.8	8,782.4	17.5%
AFS securities	690.5	534.2	-22.6%
Fixed assets (HTM & LR)	1,255.9	369.7	-70.6%
Equity investments	0.0	0.0	n.m.
Loans and advances to customers	15,125.6	16,587.8	9.7%
Funding	(23,549.9)	(25,101.3)	6.6%
RWAs	11,663.1	12,881.9	10.5%
No. of staff	2,429	2,568	5.7%
No. of branches	220	221	0.5%
Cost/income ratio (%)	43.8	40.0	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	1.4	1.1	





Consumer lending (€ m)	9 mths	9 mths	Y.o.Y. chg. %
	31/03/15	31/03/16	
Net interest income	510.4	578.4	13.3%
Net treasury income	0.2	0.0	n.m.
Net fee and commission income	115.1	91.2	-20.8%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>625.7</b>	<b>669.6</b>	<b>7.0%</b>
Labour costs	(71.1)	(76.5)	7.6%
Administrative expenses	(140.0)	(127.8)	-8.7%
<b>Operating costs</b>	<b>(211.1)</b>	<b>(204.3)</b>	<b>-3.2%</b>
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(327.7)	(278.0)	-15.2%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	(5.5)	n.m.
<b>Profit before tax</b>	<b>86.9</b>	<b>181.8</b>	<b>n.m.</b>
Income tax for the period	(25.2)	(69.2)	n.m.
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>61.7</b>	<b>112.6</b>	<b>82.5%</b>
Loans and advances to customers	10,631.6	11,683.7	9.9%
New loans	9,940.0	10,893.1	9.6%
RWAs	4,590	4,707.4	2.6%
No. of staff	1,516	1,593	5.1%
No. of branches	163	164	0.6%
Cost/income ratio (%)	33.7	30.5	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	0.9	0.7	



Retail Banking (€ m)	9 mths	9 mths	Y.o.Y. chg. %
	31/03/15	31/03/16	
Net interest income	102.0	112.9	10.7%
Net treasury income	0.0	0.0	n.m.
Net fee and commission income	18.8	30.6	62.8%
Equity-accounted companies	0.0	0.0	n.m.
<b>Total income</b>	<b>120.8</b>	<b>143.5</b>	<b>18.8%</b>
Labour costs	(44.4)	(49.1)	10.6%
Administrative expenses	(71.1)	(72.0)	1.3%
<b>Operating costs</b>	<b>(115.5)</b>	<b>(121.1)</b>	<b>4.8%</b>
Gains (losses) on AFS equity	0.0	0.0	n.m.
Loan loss provisions	(14.3)	(12.5)	-12.6%
Provisions for other financial assets	0.0	0.0	n.m.
Other income (losses)	0.0	0.0	n.m.
<b>Profit before tax</b>	<b>(9.0)</b>	<b>9.9</b>	<b>n.m.</b>
Income tax for the period	0.1	(3.5)	n.m.
Minority interest	0.0	0.0	n.m.
<b>Net profit</b>	<b>(8.9)</b>	<b>6.4</b>	<b>n.m.</b>
Direct deposits	10,060.3	10,389.1	3.3%
Indirect deposits	2,607.0	3,796.0	45.6%
Loans and advances to customers	4,494.0	4,904.1	9.1%
New loans	1,723.1	1,988.8	15.4%
RWAs	444.0	767.0	72.7%
No. of staff	913	975	6.8%
No. of branches	57	57	0.0%
Cost/income ratio (%)	95.6	84.4	
Bad loans ( <i>sofferenze</i> )/loans ratio (%)	2.3	2.1	

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