MEDIOBANCA

2023-26 STRATEGIC PLAN GUIDELINES APPROVED

MEDIOBANCA
ONE BRAND – ONE CULTURE

LEVERAGING OUR FOUNDING VALUES:
DISTINCTIVENESS – RESPONSIBLE APPROACH TO BANKING,

INVESTING IN:
TALENT – INNOVATION – DISTRIBUTION

MEDIOBANCA HAS LAID THE FOUNDATIONS FOR FURTHER ROBUST GROWTH IN REVENUES, PROFITS, EARNINGS AND REMUNERATION

LEADERSHIP IN WEALTH MANAGEMENT AS MAIN PRIORITY

GROWTH

Revenues up 6%[1] to €3.8bn

EPS up 15%[1] to €1.80

Target cumulative shareholder remuneration up 70%[2] over 3Y to €3.7bn

PROFITABILITY

Sustainably and highly profitable at both Group and division levels

ROTE 15% by FY26 (vs 12%)

RORWA 2.7% by FY26 (up 60 bps)

CAPITAL MANAGEMENT

Focus on growth in capital-lighter businesses. Increase in loan volumes (up €4bn) to be offset by RWA optimization (stable over 3Y)

Change in capital allocation: no more than 1/3 of Group total to be allocated to CIB

Capital-light revenues to grow to 50% of total (up from 30%)

SHAREHOLDER REMUNERATION[3]: €3.7bn in 3Y (up 70%[2])

Cash payout 70% for a total of €2.7bn, introduction of interim dividends

Share buyback and cancellation programme worth a total of €1bn over 3Y

CET1[4] FL >14.5% p.a., leaving room for acquisitions

Growth in TBVPS + DPS of approx. 12% per annum[5]

RESPONSIBLE APPROACH TO BANKING

Quantitative ESG targets included in senior management remuneration packages

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[1] Targeted Compound Annual Growth Rate (CAGR) for period from end-June 2023 to end-June 2026.
[2] Growth rate calculated based on total dividends distributed and share buybacks in 3Y 2024-26 vs 4Y 2020-23.
[3] Provided that FL CET1 ratio is above 13.5%. The distribution policy is subject to annual approval by shareholders in Annual General Meeting and to annual authorization by the ECB pursuant to Articles 77 and 78 of CRR II. Shares representing approx. 80% of the amount of the buyback will be cancelled.
[4] CET1 FL calculation factors in definitive application of the "Danish Compromise" (pursuant to CRR II, Article 471).
[5] Value of TBVPS plus cumulative DPS expected by FY26 relative to FY23E.

MEDIOBANCA
ONE BRAND – ONE CULTURE

EXCELLENCE AND DISTINCTIVENESS: THE MEDIOBANCA DNA

WITH A HOLISTIC AND SYNERGISTIC APPROACH BETWEEN THE GROUP BUSINESSES, MEDIOBANCA INTENDS TO ESTABLISH A UNIQUE MODEL OF PRIVATE & INVESTMENT BANKING EMERGING DEFINITIVELY AS A LEADER IN WEALTH MANAGEMENT

ANCHORED TO THE "ONE OF A KIND" SCHOOL OF RESPONSIBLE BANKING FIRMLY ROOTED IN THE BANK'S FOUNDATION, MEDIOBANCA ASPIRES TO EXCEL AS:

- **ADVISOR FOR BUSINESSES AND ENTREPRENEURS**
- **PARTNER FOR ITS OWN STAFF AND CLIENTS**
- **INVESTMENT FOR ITS SHAREHOLDERS**

Alberto Nagel, CEO of Mediobanca, said: *"Through the ONE BRAND - ONE CULTURE plan, Mediobanca will deliver substantial growth in capital-light activities, targeting best-in-class returns with low risk and significant improvement in shareholder distribution. This exciting strategy will be implemented while remaining anchored to the "school of responsible banking", embedded in the Bank's DNA"*.

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The Directors of Mediobanca have approved the guidelines of the new 2023-26 Strategic Plan, which builds on the excellent results achieved in the past four years.[6]

In an economic and regulatory scenario which is expected to be challenging for the whole financial sector (with low economic growth, inflation, stricter regulation and tightening monetary policies), **attractive growth opportunities emerge for players with solid and specialized business models that are able to turn situational challenges into opportunities for sustainable growth over the long period.**

Against this backdrop, the Group aims to deliver positive growth in all segments in which it operates, by leveraging on its distinctive features: a responsible approach to banking, focus and distinctive positioning in highly specialized and highly profitable business segments, driven

[6] FY 2022-23 brings the time horizon covered by the 2019-23 three-year Strategic Plan to a close. The Mediobanca Group has achieved the targets set in the Plan despite the crises caused by the Covid-19 pandemic and the Russia-Ukraine war, delivering the following results in the four years:

- Substantial growth in revenues, from €2.5bn to €3.2bn, above expectations (€3bn) and at a 4Y CAGR of +6%, significantly outperforming the average for both Italian peers (+3%) and European banks (+3%);
- Strong growth in profits (from €823m to €1bn), coupled with an impressive performance in terms of profitability (ROTE up from 10% to 12%);
- Capital ratio up from 14% to 15.8%, after basically financing organic growth (loan book up approx. €9bn in 3Y), acquisitions (Bybrook), and higher shareholder remuneration;
- Of the €3.3bn in earnings accumulated in 4Y, €1.9bn has been returned to shareholders in the form of dividends, with the payout ratio rising from 50% to 70%, alongside a €0.3bn share buyback scheme.

All divisions have reported significant improvements in both positioning and profitability.
FY23 figures throughout the presentation: pre-closing data based on accounts, reporting and estimates available on 23 May 2023.

by long-term structural growth trends, a solid capital position, and ongoing investment in talent, innovation and distribution.

The Group will pursue and deliver strong growth in revenues, earnings, and shareholder remuneration, to the satisfaction of all our stakeholders, while preserving one of the best risk/return profiles in Europe.

The Group has set itself ambitious yet realistic objectives, aiming to deliver:

- **Growth in profitable assets: Total Financial Assets ("TFAs[7]") of €115bn (up 11%[1]), AUM/AUA of €85bn (up 13%[1]), and customer loans of €57bn (up 3%[1]);**

- **Significant investment in distribution channels for all business segments:** sales force in **Wealth Management** ("WM") expected to grow by **25%** to over **1,500** professionals, 1,350 of whom in the Premier segment (up 25%), and 170 in the Private segment (up 15%); **an increase in the number of investment bankers** in the advisory and capital markets areas; **and a further increase in the Consumer Finance network** ("CF"), with strong growth in the digital channel, also supporting the direct network (up to 340 branches made up of proprietary offices and the agency network, plus more than 300 professionals offering products out of the branches);

- **Stable RWAs due to change in capital management policy.** Particular focus will be placed on growing capital-light assets and on optimization actions to allow capital to be managed more efficiently. The growth in loans (with an additional €4bn expected over 3Y) and implementation of optimization actions for the same amount (completion of AIRB rollout plan consistent with Basel IV, improvement of LGD and PD from 2025, adoption of FRTB principles managed neutrally, synthetic securitizations in CF) are expected to result in **stable RWAs** (€51bn, down 1%[1]). **RWAs in the CIB Division are expected to reduce significantly (down 13% over 3Y), so that no more than one-third of the total Group capital will be allocated to the division;**

- **Growth in revenues to €3.8bn (up 6%[1]), with all business segments contributing strongly. WM** will have the highest organic growth rate **(up 10%[1]) and is expected to exceed €1bn in revenues,** becoming the top contributor to fee income at Group level and so complementing **Corporate & Investment Banking** ("CIB"), which is expected to deliver **top-line growth of 11%[1]** (7% organic) **to €0.9bn**; **CF** will continue in its role as driver of growth in net interest income at Group level (accounting for some two-thirds of the total), delivering growth in total revenues of **5%[1] (to approx. €1.3bn);** the **Insurance** segment ("INS") will again contribute positively to the Group's total income, with revenues growing at **6%[1] (to approx. €0.5bn[8]);**

- **Growth in earnings (EPS up 15%[1] from ~€1.15 to €1.80,** including the cancellation of approx. 80% of the shares acquired via the buyback schemes), **with increasing contributions from WM and CIB, and continued high levels of profitability in CF** and **INS**;

- **Growth in profitability at both Group level (ROTE 15%** vs 12%, **RORWA 2.7%** vs 2.1%) **and by division**: **WM** is expected to report the highest increase in profitability ("**RORWA**"), from 2.9% **to 4.0%**; **CIB** is expected to improve to **1.6%** (from 1.0%), **CF** stable at **2.9%**, and **INS** to **3.2%** (from 2.7%);

- **Growth in capital generation (~220 bps per annum** up from 150 bps) deriving from high profitability (ROTE up from 12% to 15%), supported by the absence of material adverse

[7] TFAs: Total Financial Assets, consisting of the sum of AUM, AUA and customer deposits (excluding AUC).
[8] CAGR for 3Y 2023-26. Revenues: pro-rata AG consensus (Nasdaq IR Insight) before FTA IFRS17/9; according to AG disclosure IFRS17 won't affect company profitability; the estimation doesn't include potential volatility due to a higher share of assets valued at fair value under IFRS9.

impacts from regulation in the coming years; higher **capital will be used to finance** organic and inorganic **growth**, and **shareholder remuneration;**

- **Growth in shareholder remuneration to €3.7bn in 3Y 2024-26 (70% higher than in previous 4Y), €2.7bn of which in dividends and €1bn through share buybacks and cancellations: dividends will be paid on the basis of a 70% payout ratio, with the introduction of an interim dividend** (first payment in May, balance in November) pro rata equal to 70% of the earnings produced in the period. An **annual share buyback scheme** will also be implemented over the Plan time horizon, worth an aggregate total amount of **€1bn.** The exact amounts will be established year-by-year based on retained earnings for the year concerned[9] and approx. 80% of the acquired shares will be cancelled over the three years of the Plan;

- **Ongoing scouting of opportunities to grow via acquisitions**; the high capital generation will finance organic growth, the dividend distribution policy described above will allow a CET ratio of at least 14.5% to be maintained over the time horizon of the Plan, versus a minimum CET1 FL of 13.5%, maintaining an approx. 100 bps capital buffer for use in potential acquisitions. As has been the case during the previous Strategic Plans, the Mediobanca Group will consider as potential targets companies that are able to **accelerate the process of growth in its core business areas,** with a preference for capital-light and high fee-generating businesses. Other important factors will include a compatible corporate culture and an ethical approach to business. Any acquisitions will have to meet the criteria that the Group has always adhered to in terms of value creation;

- **Remaining anchored to the principle of Responsible Banking.** Since Mediobanca's foundation, a responsible approach to banking based on a long-term perspective has been part of its DNA. The ESG strategy is firmly integrated into the Business Plan, combining business growth and financial stability with social and environmental sustainability**,** thus **creating value over the long term for all stakeholders.** The commitments undertaken by the Group in this area have been translated into **qualitative and quantitative targets that are measurable over time, and integrated into the evaluation programmes** for the entire corporate population and for senior management. The targets set, which consolidate the integration of **Environmental Social & Governance (ESG)** topics into the corporate strategy, cover all the main areas of sustainability.

The Mediobanca Group aims to deliver growth in all segments in which it operates:

- Wealth Management. **The Italian savings market is one of the largest in Europe, and as such offers attractive opportunities to realize Mediobanca's ambition of establishing itself as a leader in this segment, standing out for its quality, responsibility, innovativeness, and the value of its product offering for Premier and Private clients, and entrepreneurs**. Following the **strong growth delivered in recent years**, there will be a **radical change of approach in WM, creating a unique operator in Italy: Mediobanca's strengths** (brand, product offering, ability to attract bankers) **will be applied consistently across the Premier and Private customer segments, generating strong growth and value**. WM will accelerate its repositioning in terms of product offering (liquid and illiquid, based on an "inhouse guided" approach) and services (offering also Investment Banking services) to Premier and Private clients, leveraging on Mediobanca's distinctive positioning as a Private & Investment Bank. Through **substantial investments** in distribution (with salesforce targeted to increase by 25% to over 1,500 professionals), technology and products, **WM will**:

[9] Shareholder remuneration valid over the 2023-26 Strategic Plan horizon, conditional upon CET1 FL remaining above 13.5%, and application of the Danish Compromise becoming permanent (pursuant to Article 471 of CRR II), and subject to annual approval by shareholders in Annual General Meeting and annual authorization by the ECB pursuant to Articles 77 and 78 of CRR II.

  - **Outperform the market** in terms of growth in TFAs (which will reach €115bn, +11%[1] CAGR vs +8% for the market), revenues (over €1bn in FY26), and profitability (RORWA +110 bps to 4.0%);
  - **Become a market leader in Italy, closing the gap versus other leading asset gatherers in terms of size and profitability;**
  - **Take full advantage of its distinctive potential deriving from:**
    - **Strong focus on HNWI/UHNWI clients** (40% of TFAs, 2x listed players' average);
    - **Global advisory approach focused on both entrepreneurs and businesses;**
    - **Completion of CheBanca! repositioning with rebranding as Mediobanca Premier;**
  - **Become the main growth driver for the Group, its second contributor in terms of revenues and first in terms of fee income.**

- **Corporate & Investment Banking. The European Corporate & Investment Banking market**, while continuing to reflect a highly challenging environment, still offers attractive **opportunities** especially for investment banks specializing in advisory business, which are continuing to gain market share because of their increased client focus and flexible business models. By leveraging the **distinctiveness of its business model** (leadership in reference markets, strong reputation, lean organizational structure, client-centricity, ability to attract talent, and excellent asset quality), the **CIB Division will:**
  - **Increase revenues (to approx. €0.9bn) and profitability (RORWA +60 bps to 1.6%);**
  - **Become a stronger, broader and more diversified European platform**, with higher non-domestic revenues (up from 40% to 55%) generating more capital-light income (up from 28% to 40%), with advisory business to become the main product in terms of contribution to and growth in CIB revenues;
  - **Strengthen its leadership position by leveraging on the Private & Investment Banking model and exploiting the clear intra-Group potential opportunities** (in particular with Private Banking, MA and Arma Partners)**, confirming its position as partner of choice for medium-sized and large companies in its target markets (Italy, France and Spain);**
  - **Become the main source of capital optimization for the Group (RWAs down 13% over 3Y to €17bn) and the second largest contributor by revenues and fees.**

- **Consumer Finance. The Italian market** offers significant growth **opportunities:** it is less mature than other European economies, with opportunities to capture market shares as traditional banking networks reduce their footprint. **By leveraging on its distinctive features** (market leadership, high scoring and pricing capabilities, solid asset quality), **empowering distribution significantly**, direct and digital, **and developing innovative products** (in e-commerce and BNPL especially) **Compass will:**
  - **Increase revenues to €1.3bn, maintaining high profitability (RORWA 2.9%);**
  - **Upgrade its leading position in Italy as a multi-channel platform;**
  - **Tap new markets and client segments digitally (as opposed to physically);**
  - **Implement further derisking policies, with no change to its high efficiency and asset quality ratios;**
  - **Confirm its position as the Group's main source of revenues and net interest income.**

- **Insurance.** Virtually all of this division consists of the investment in **Assicurazioni Generali** (13% ownership), which **will continue to contribute positively to revenue and profit creation at Group level, improving stability and visibility**. The investment's rationale lies in its **excellent profitability,** to be further strengthened through the permanent application of the Danish Compromise, its **low correlation** with the macro trends, its **high cashflow generation**

capability and as a **value option,** guaranteeing the Mediobanca Group available resources that can be used for attractive inorganic growth opportunities;

- **Holding Functions.** Treasury activities **will continue to perform their role of supporting the Group's development,** in particular by **implementing dynamic asset and liability management**, with a view to **increasing net interest income and maintaining excellent operating and regulatory ratios. This, together with the ongoing pursuit of efficiencies**, which includes the orderly refocusing of leasing operations, **will allow substantial investments to be made in technology, innovation** and **regulatory governance**, without affecting the division's impact on the Group's performance.

DIVISIONAL TARGETS AND OBJECTIVES

MEDIOBANCA WEALTH MANAGEMENT

LEADER IN EXCELLENCE AND DISTINCTIVENESS

ONE BRAND – ONE CULTURE

SIGNIFICANT UPSCALING IN TERMS OF SIZE AND PROFITS

CLOSING THE GAP VERSUS TRADITIONAL ASSET GATHERERS

TFAs up 11%[1] per annum to €115bn

AUM/AUA up 13%[1] per annum to €85bn

REVENUES up 10%[1] per annum to >€1.0bn

RORWA 4.0% (+110 bps)

MAIN REVENUE GROWTH DRIVER FOR THE GROUP

The Italian wealth management market is one of the largest in Europe, and **offers appealing growth potential and opportunities for an operator such as Mediobanca,** for the following reasons:

- **The market is substantial, growing and still largely "un-managed":** approx. €5tn of financial wealth concentrated in the Affluent (75%) and HNWI segments, with growth rates that are higher than the average rates of growth in domestic GDP; only 35% are AUM/AUA;
- **It is undergoing a process of transformation, with the market shares of specialist and mixed operators** (banks with dedicated commercial networks) **growing at the global banks' expense;**
- There is a **growing need** on the part of investors **for financial protection and planning**, as well as the **search for alternative yields**, in particular by more sophisticated clients who are looking for portfolio diversification, a trend that is accentuated by high inflation. This leads to an industry-wide **polarization in terms of demand/supply** in alpha products (including illiquid, alternative, private equity) or passive products, which in turn leads to difficulties for non-specialist operators;
- There has been a **contraction in margins** due to regulation (transparency and consumer protection), competition, and the contraction of performance fees;
- **Digitalization appears to be essential** to the product offering and for service users (remote channels and artificial intelligence) **in view** *inter alia* **of the major generational wealth transfer** set to take place in the coming years.

Following the major growth process completed in recent years, the Mediobanca Group is now stepping up its ambitions in this segment.

Since 2016, the year when growth in the WM became a priority for the Mediobanca Group, the WM Division has increased by 3x in size, in terms of TFAs (>€85bn), salesforce (1,200 professionals), revenues (~€800m) and profits (~€160m) – based on **two projects that are unique within the Italian market: Mediobanca Private Banking and CheBanca**!:

- Building on Private & Investment Banking model ("PIB") **Mediobanca Private Banking is today a market leader** in the HNWI & UHNWI client segment (>€5m, 85% of TFAs), able to offer Wealth Management advisory services to entrepreneurs and Corporate & Investment Banking services to their companies; it leads the way in offering Private Markets products (which account for €1bn of AUM, with more than €3bn committed); and has significantly outperformed the market (TFAs CAGR +11%[10] with over €12bn in NNM) on the back of its ability to participate in liquidity events (more than 40 deals bringing in €4.6bn in NNM), €2.8bn of which in collaboration with the Mediobanca CIB Division);

- **CheBanca! is a priority growth project in the Premier segment.** Since 2016 CheBanca! has delivered above-average growth rates, almost trebling in size (TFAs up from €14bn to €37bn) and increasing its profitability by tenfold (profits up from €8m to €65m). CheBanca!, which is currently focused on Affluent/Premier clients (€100,000-€5m), is differentiated by its multichannel approach (100 branches, 100 FA POS, >500 FAs, >500 bankers, fully integrated with digital B2B and B2C collaboration tools), and ability to speak to the Next Wealth Generation; it has significantly outperformed the market average in terms of growth in total assets (AUM/AUA CAGR +19% in past 4Y vs +6% market[11]), salesforce (CAGR +10% vs +2% market[11]), and productivity (NNM of €3.3m per banker vs €1.9m market);

- The offering is complemented by **CMB Monaco**, which has also undergone a significant repositioning and growth process in recent years, with assets, revenues and profits all doubling (TFAs up from €8bn in 2016 to ~€15bn, revenues up to ~€160m, and net profit up to ~€55m).

Under this Plan, **Mediobanca's ambition** is to establish itself as the **leading wealth manager, distinctive** for its **quality, responsibility, innovation, and value** of the offering dedicated to **Premier and Private clients and for entrepreneurs**. There will be a **radical change of approach in WM, creating an operator with characteristics that are unique in Italy: Mediobanca's strengths** (brand, product offering, ability to attract bankers) **will be applied consistently across the whole customer segment, generating strong growth and value**.

WM will continue its **repositioning in terms of product offering** (liquid and illiquid, "in-house guided") and services (offering also Investment Banking services) to Premier and Private clients, leveraging on Mediobanca's distinctive positioning as a Private & Investment Bank.

Through **substantial investments in distribution (with the salesforce to increase by 25% to over 1,500 professionals), technology and products,** WM will be able to generate **an average of approx. €10bn in NNM per annum**.

The distinctive feature here will be the ability to capture **liquidity events** deriving from Mediobanca's solid relations with the over 1,300 **medium-sized enterprises which form part of the most dynamic Italian industrial districts,** often managed or owned by the **entrepreneurial families** that make up the backbone of the Italian economy. Thanks to extensive and synergistic coverage of these relationships by private and investment bankers, plus the availability of both Corporate and Wealth Management products, Mediobanca will continue

[10] CAGR Dec. 2018-Dec. 2022.

to position itself as partner of choice for these clients, strengthening both its WM and CIB operations.

WM will deliver growth at both top- and bottom-line levels to become the second largest contributor to the Group's revenues and **the top contributor in terms of fee income**. **Profitability will increase significantly (RORWA up from 2.9% to 4%)**, while maintaining **high-quality and sustainable revenues and improving efficiency (cost/income ratio target of 60%).** In particular, the development of **a Digital Platform will be completed which, by adopting new technologies, will enhance the customer experience, promoting the distribution network's effectiveness and minimizing the "cost to serve".**

Highlights are as follows:

- **TFAs will grow by 11%[1] per annum to €115bn,** with a strong improvement in composition **(AUM/AUA up 13%[1] to €85bn, rising to 75% of TFAs).** Customer loans will also grow (mortgages and Lombard loans) (up 6%[1] to €20bn); while **annual average NNM is expected to be around €10bn**;
- **Gross marginality will remain at around 90 bps:** the service upgrade, the internalization of margins through the "inhouse guided architecture", plus a change in asset allocation will offset the pressure on margins deriving from possible stricter regulations and the ongoing repositioning vs Premier/UHNWI clients;
- Growth in revenues (up 10%[1] to over €1.0bn), cost control (cost/income ratio down to 60%) and diligent cost of risk management will **significantly increase profitability (RORWA 4%, up 110 bps).**

CORPORATE & INVESTMENT BANKING (CIB)
UNIQUE, HIGH POTENTIAL MODEL
AS A PRIVATE & INVESTMENT BANK ("ONE FRANCHISE")
MARKET LEADER IN EUROPE
INCREASINGLY CAPITAL-LIGHT
RWAs down 13% in the 3Y period to €17bn
REVENUES up 11%[1] per annum to €0.9bn
RORWA 1.6% (up 60 bps)
LEADING CAPITAL OPTIMIZATION DRIVER AT GROUP LEVEL

Corporate & Investment Banking activities are carried out by **Mediobanca** and **Messier et Associés** (partnership agreement signed in spring 2019). The partnership signed with **Arma Partners,** European leader in digital economy advisory services, will also become fully operative over the three years of the Plan. **MBCredit Solutions and MBFacta** complete the range of products offered in credit management and factoring.

The Mediobanca CIB Division shows **strong and resilient profitability** (average ROAC in past 4Y 13-14%), and **ability to succeed despite headwinds in European investment banking** where revenues have contracted in recent years at a CAGR of 15% and the cost/income ratio has risen to 75%, creating the need for significant processes of restructuring, disposals, capital injections and personnel reductions. By contrast, Mediobanca CIB has displayed **high levels of resilience in terms of client revenues** (stable in recent years at around €630m) and **a low risk profile** (high asset quality, no litigation, cost/income ratio of 43%). The high resilience shown is due to a **distinctive competitive model**: the Group's long-standing position of leadership in Italy is coupled with a strong positioning in Spain and France, a distinctive, client-centred Private & Investment Bank model focused also on SMEs, with high diversification in terms of geography (Italy accounts for 60% of total revenues) and product, with a focus on low capital-absorption products (advisory 32%) and low exposure to more volatile products.

The European Corporate & Investment Banking market continues to reflect a challenging competitive scenario, but at the same time offers the following **opportunities:** it is seeing strong domestic and cross-border M&A activity involving medium-sized firms and large corporates, which are increasingly focused on sector consolidation in order to address the prospects of low organic growth and the need for cost efficiency, and the investment needs of private capital investors who benefit from having significant liquidity. Growth and transformation of new sectors (such as Tech, Energy Transition, and Healthcare) represent an exceptional opportunity for investment banks specializing in advisory business to grow.

The division also stands out for its **specialist approach founded on advisory business and client-driven,** and its **strong integration with the Private Banking activities**. This has enabled the Group to **attract talent**, consolidate its **leadership position in Italy,** and gain **increasing visibility in the rest of Europe**, primarily in the **Spain and France.** Going forward, the international footprint will expand as a result of Arma Partners' leadership position in the Tech advisory segment in the United Kingdom and Northern Europe.

Mediobanca's ability to take these market opportunities successfully will be driven by **further strengthening of its:**

- **CIB franchise,** expanding into new geographies, sectors, clients and products. This will be achieved through:
  - **Reinforcement of industry coverage**, with a particular focus on the fastest-growing and most innovative sectors, such as Tech, Energy Transition and Healthcare; in Tech, the partnership signed with **Arma Partners** will enable the Group to develop a primary European digital economy platform;
  - **Expansion of the client base,** expanding private capital coverage (to ensure a holistic, pan-European approach to private equity, infrastructure, pension and sovereign funds), building an international Mid-Caps platform across both countries already covered (France and Spain) and new ones such as Germany and the United Kingdom;
  - **Development of new products,** developing CO_2 trading, aiming at becoming a BTP specialist, becoming registered as US securities-based-swap dealer, and expanding the certificates business internationally.
- **Distinctive positioning as Private & Investment Bank, based on development of the "One Franchise" between CIB and WM**. The possibility, which only Mediobanca offers, of serving both entrepreneurs (WM) and their businesses (CIB) at the same time, is a differentiating feature in Italy, where the backbone of the capitalist system is primarily made up of excellent medium-sized enterprises, often family-run or owned;
- **Specialty Finance activities: factoring** (MBFacta) and **credit management** (MBCS), the latter being stripped back to its original mission of third-party NPL management (after an agreement was reached to dispose of the NPL acquisition business);
- **Different approach to capital management:** special attention will be focused on developing capital-light activities (Advisory, ECM, DCM), volume growth (loans and market) exclusively from a risk-adjusted return on capital perspective, and on implementing optimization actions. Over the Plan's 3Y time horizon, the **capital allocated to the CIB Division is also expected to reduce to no more than 1/3 of the Group's total capital** (vs 50% in 2016); customer loans are expected to remain stable (at €20bn), while RWAs should reduce **(by 4%[1] in 3Y to €17bn)** due to the optimization actions.

The division's revenues are expected to increase in terms of both quantity (to €0.9bn, CAGR +11%[1]) **and quality,** becoming **more visible and diversified in terms of both geographies** (non-domestic revenues to increase from 40% to 55% of the total) **and products, with the contribution from Advisory business expected to rise to two-thirds of total fee income**. The growth in revenues, together with the ongoing control of costs, asset quality and capital usage, will drive **profitability (RORWA) to 1.6% (up 60 bps).**

CONSUMER FINANCE (CF)
UPGRADE LEADERSHIP IN ITALY
IN TERMS OF SERVICE MODEL (MULTICHANNEL) AND PROFITABILITY
ACCESS TO NEW CLIENT SEGMENTS AND MARKETS
THROUGH DIGITAL PROPOSITION
FURTHER DE-RISKING POLICIES
REVENUES up 5%[1] to €1.3bn
COR @160-170 bps
RORWA 2.9% (stable)
MAIN GROWTH DRIVER FOR NII AT GROUP LEVEL

Compass has been operating in consumer credit since 1960. For more than fifteen years it has been one of the top three Italian domestic operators, with a **leadership position in the most profitable segments** (personal loans and special purpose loans). It has a **well-established client base** (almost 3 million active customers, with more than 14 million in its database), **broad and diversified distribution** (310 branches – including 130 agencies – plus 175 professionals providing out of branch services, an effective digital platform, third-party bank branches, post offices, credit broker networks, plus numerous agreements in the automotive, telecommunications and large retail markets), and a **value-driven approach to management** (with the capability to analyse and assess risk at the lending stage and monitor it across the entire loan life cycle, regular bad debt disposals, and strong credit recovery capability), making it the **most profitable operator on the market**.

In the 2019-23 four year period, despite the Covid-19 pandemic, the outbreak of the Russia-Ukraine war, high inflation and the sudden rise in interest rates, Compass has reported robust results, confirming its ability to grow profitably in all economic cycles; revenues have remained above €1bn, net profit has risen to above €370m, and ROAC is over 30%; at the same time, the stock of bad loans has decreased further (to 1.3% of total loans), while the coverage ratios have increased (to 78% for bad loans, and 3.7% for performing loans), with substantial overlays preserved. Consumer credit has confirmed its position as the **main source of growth for the Group in terms of net interest income, with an anti-cyclical diversification function**.

Despite the reduced penetration of consumer credit in Italy compared to the Northern European economies, modest growth is expected for this market over the next 3Y because of the macro scenario (CAGR +3.8%). Nonetheless, Compass **will continue** its **growth trajectory** with the objective of **consolidating its leadership** in the domestic Italian market, aiming to become increasingly independent from third-party networks for strategic reasons. The 2023-26 Strategic Plan makes provision for **substantial enhancement of the local distribution network**, significant investments in technology to develop the best digital lending platform, creation of an **integrated solution** between physical and digital channels, **development of innovative products** (for e-commerce especially), and growing investments in marketing. All these actions will serve to **perpetuate Compass's leadership in consumer credit services, access new markets**

and client clusters, and so speed up growth of volumes and revenues, while consolidating earnings and profitability.

Distribution will be **strengthened,** targeting exhaustive geographical coverage to be completed by **enhancing the Compass-branded network**, in particular at variable costs to be developed with the assistance of internal geo-intelligence models to identify the areas with the highest potential. The number of branches will increase by 10% from 310 to around 340, 155 of which managed by agents (i.e. variable costs; currently 128); plus the professionals providing out of branch services, the number of whom is expected to increase from 175 to around 300.

The **existing web platform**, which is already "mobile native", generates over 30% of personal loans distributed via the direct channel, and will integrate the most **advanced solutions to improve client operations, right from on-boarding**. The adoption of sophisticated **artificial intelligence** engines, combined with Compass's consolidated experience in credit risk assessment, will allow the **volumes of digital personal loans** to increase even further and **instant lending solutions to be launched for top clients.**

The direct network and the digital channel will be integrated in order to create an **efficient multichannel platform, to further improve customer experience and increase lending volumes.**

The growth will also be driven by the development of the Pagolight product, Compass's proprietary Buy Now Pay Later ("BNPL") solution. **BNPL**, which started out as a fintech product (lower amounts paid in three instalments, with costs payable by the merchant), is now being offered by **Compass** via a solution which has made it into **a profitable credit product** which is generating increasing volumes on the domestic market; for Compass the **product** – which has already been developed in accordance with EU regulations meaning it should be included within the consumer credit scope of operations[11] – **is already showing net profitability** (net of direct costs and cost of risk) **comparable to that of special-purpose loans; BNPL has also demonstrated it is a powerful instrument for acquiring new customers to whom other products can be offered such as personal loans.**

BNPL will allow Compass to expand its client base and to enter new geographies, using high-tech rather than physical solutions. **The profitability of the product will be guaranteed** by Compass's proven pricing/risk management capabilities based first and foremost on the use of proprietary statistical and behavioural models developed in over sixty years of business in a wide variety of macroeconomic settings.

The actions described above, coupled with the proven effectiveness of the company's pricing system and credit management and recovery capabilities, will result in **attractive growth in volumes** (**new loans up 6%[1]** to over €9bn per annum, around €1bn of which from BNPL once fully operative), including a strong increase in personal loans granted via the direct network (physical and digital). **Revenues will increase by 5%[1]** (to reach approx. €1.3bn), driven by the growth in customer loans (up 5%[1] to over €16bn), **preserving the current high profitability levels** (RORWA **2.9%**) helped by the derisking and RWA optimization actions (loan securitizations worth €1bn of RWAs), and despite a scenario in which the **cost of risk is expected to rise moderately** in 3Y: the anticipated increase in the industrial cost of risk (from the current ~150 bps to ~210 bps in 2026) will be kept to 160-170 bps by using almost 80% of the existing overlays (more than €200m expected by end-June 2023) established during the years of the pandemic.

Compass will progressively **reduce risk** through the following actions:

- RWAs optimization through synthetic securitizations;
- Credit risk and operational risk optimization through the use of new technologies/expertise (AI used on unstructured data, anti-fraud instruments);
- Annual disposals of bad debts.

[11] New EU Consumer Credit Directive expected in 2023-24.

INSURANCE (INS)

HIGH RETURN INVESTMENT, STRONG VALUE OPTION
PROFITABILITY WILL INCREASE FURTHER

Virtually the whole of this division consists of the investment in **Assicurazioni Generali** (13%), which will continue to contribute positively to revenues (expected to grow by 6% to reach €0.5bn[1]) and profit creation at Group level, while at the same time adding stability and visibility. The investment's rationale lies in its excellent and increasing profitability (RORWA up from 2.7% to 3.2%), which will be further strengthened with the permanent application of the Danish Compromise, its strong decorrelation from macro trends, high cashflow generation, and the value option which it represents for the Mediobanca Group in terms of offering available resources that can be used in acquisitions to grow the company.

ASSET & LIABILITIES MANAGEMENT

ACTIVE MANAGEMENT TO SUPPORT THE GROUP'S GROWTH AND NII
FUNDING: COMFORTABLE GROWTH IN ALL SOURCES
LENDING: VALUE-ORIENTED APPROACH

ALM activity will be geared towards fostering the Group's growth and increasing net interest income, leveraging, during the first part of the Plan, on an increasing contribution from the banking book securities, and in the second, on the anticipated reduction in interest rates, with a more significant contribution from consumer credit.

The growth in lending estimated for 3Y (up 3%[1] to €57bn) has been structured across the business lines with close attention paid to profitability and capital consumption (RWAs):

- The repositioning in favour of capital-light activities in **CIB** will result in a gradual reduction in new loans to the large corporate segment (down from €4-5bn to €3-4bn per annum), with priority given to core clients with the possibility of generating ancillary business; in 3Y loans are expected to remain **stable at €20bn**;
- The same selective approach will be applied also in **WM**, which will develop a portfolio of Lombard loans (guaranteed by pledges over assets) by leveraging on the client repositioning, and more targeted new business in mortgage lending; overall **customer loans are expected to grow to €20bn** (currently €17bn);
- **CF**, the most profitable credit product, will continue to grow, with new loans expected to increase from €7-8bn to €8-9bn, driven by both the physical and digital networks, for personal and direct loans in particular; **customer loans** are expected to **rise** to **€16bn** (from €14bn).

The expected trend in interest rates will lead to **a gradual increase in banking book securities** (from €9bn to €10bn) as a source of net interest income. The Counter-Balance Capacity ("CBC") will increase from €15bn to over €19bn.

The Mediobanca Group's **funding programme provides for the total stock to be increased to a €64bn** (from the current €60bn) in order to fund the orderly growth in the Group's lending assets, while at the same time maintaining **extremely solid regulatory ratios (LCR 150%, NSFR >115% over the 3Y Plan).**

Under the funding programme, the remaining TLTRO will be replaced over the time horizon of the Plan primarily through **debt security issuance, which is expected to grow by over €4bn (to €27bn), with no impact on the regulatory indicators and the cost under control.**
New security issuance of around €4-6bn per annum is expected and will benefit from the funding channel and instrument diversification (1/3 secured) and the issuer's solidity. The average cost of the bonds currently in issue will increase by approx. 15 bps; the substantial MREL surplus (>40% in 3Y) will allow Mediobanca to make limited Tier 2 and SNP issues (cumulative total of €1.6bn in 3Y), which will serve to maintain solid capital metrics and ratings. **The cost of funding will be kept under control by the growth in WM deposits (up €2bn to €30bn)**, helped by the organic growth in WM.

DIGITAL AGENDA

The financial services industry has been facing **new challenges** in recent years **in terms of transformation and innovation.** With the objective of seizing new opportunities and responding effectively to market expectations, **the Group has put together a Digital Agenda which is an essential pillar in the strategic developments envisaged by the new Plan,** and provides for an **organic transformation process that will operate vertically within the business divisions, and cross-divisionally across shared areas such as people and technology platforms.** These are the foundations on which the Group's distinctive positioning will be consolidated.

The initiatives envisaged in the three-year roadmap aim to **significantly upgrade the Group's technology ecosystem, through non-linear development of distinctive solutions compared to those of the market and through the transformation of the existing systems. The adoption of innovative paradigms**, such as Artificial Intelligence and Cloud Computing, and **partnering with some of the leading national and international market players**, such as bigtechs and fintechs, will be central to the IT strategy, as a **driver to accelerate the innovation projects included in the Plan itself**.

The strong **digital acceleration will serve primarily to enhance the Group's offering versus its clients** (products and channels), through **innovative solutions that will enable a more effective and consistent customer journey across all channels**.

A substantial portion of the investments will be earmarked for **developing digital platforms to support the salesforce and operations units**.
The adoption of automation and AI solutions will enable **the efficiency and scalability of commercial activity to be maximized, while at the same time reducing the cost to serve**. For the WM Division in particular, the development of **a digital platform harmonized at Group level will be completed**. This, by **adopting new technologies and disruptive approaches, will maximize synergies between the divisions and make the investments more effective**.

To enable and support the strong digital push effectively, the Plan also envisages **cross-divisional initiatives to accelerate the systematic adoption of cloud computing solutions, and to strengthen the measures and solutions put in place to bolster cyber-security.** Among the cross-divisional initiatives, particular importance has been placed on the **One Data Platform programme, which aims to develop the Group's data architecture with a view to unlocking maximum value from business data and enhancing the predictive and real-time analytics capability, while at the same time streamlining the governance processes**.

In line with the strategic role assigned to technology in the Group's development, **significant investments will also be made in people, in the knowledge that the human factor can play a key role in the Group's transformation and innovation process**. In particular technology capabilities will be bolstered in the **IT units through up-skilling and re-skilling processes and by**

hiring new talent (an increase of around 15% is expected over the three-year time horizon), **to foster internalization of higher value added activities, and ensure effective coverage of highly innovative areas** (digitalization, AI, data science and cloud computing).

The IT Strategic Plan consists of **around 25 transformation programmes, comprising more than 300 projects, and involving a total investment of €230m over a three-year time horizon,** an increase of 25% compared to the previous Plan (annual average).

RESPONSIBLE BANKING

QUANTITATIVE ESG OBJECTIVES INCLUDED IN SENIOR MANAGEMENT REMUNERATION PACKAGE

The Group, which for some years now has adopted an **integrated strategy** which is capable of **combining growth in business and financial solidity with social and environmental sustainability,** has identified a series of cross-divisional actions to help contribute to a more sustainable future in terms of reducing impacts on the environment, being sensitive to the issues of inclusion and diversity, and expressing support for the local community.

The aim of consolidating the responsible approach to banking, which has always been firmly rooted in the Bank's traditions, has led to qualitative and quantitative objectives being set in the Plan guidelines and included in the staff performance evaluation and remuneration policies for the Group's entire corporate population and senior management in particular.

The targets identified, which serve to integrate **Environmental Social & Governance (ESG)** topics even more firmly into the corporate strategy, involve the following main topics:

- **Environmental**

  The Group is committed to **achieving carbon neutrality by 2050** as a result of its membership of the **Net-Zero Banking Alliance (NZBA)** and has set an interim target of a **35% reduction in financed emissions intensity** for the CIB loan book by **2030 (down 18% over the Plan time horizon**), by which date it also expects **completely phase out its involvement in the coal industry**.

  In order to take further steps on the path to addressing climate change, the Group also intends to continue its efforts to **reduce its own direct impact on the environment**, confirming its stance of **using electricity 100% from renewable sources** and maintaining **carbon neutrality on its own emissions**.

  In addition to these actions, **climate and environmental factors will be increasingly integrated into risk management, lending and investment processes**.

- **Social**

  The Group wants to make a positive contribution to social change by promoting a corporate culture based on **diversity and inclusion** (with over 30% of women Key Function Holders, over 20% executives, 50% of total hires, and gender parity in the career advancement rate), with over **€20m in support for projects with social and environmental impact** and **suppliers screened using ESG criteria** for at least 70% of the Group's total procurement expenses.

- **Governance**

  With the aim of **aligning** Mediobanca Group **senior management remuneration to** measurement of the **long-term performance on which the 2023-26 Plan is based**, **a new Long-Term Incentive Plan 2023-26 will be introduced.** A weighting of **50% of total variable**

compensation will be introduced for the **Group CEO** and **Group General Manager** (vs 20% previously), and this **incentivization instrument** will be extended to include other selected Group figures considered to be strategic in reaching the objectives set. **Payment** will be entirely **in equity over a long-term time horizon,** with **20% of the ESG objectives** focused on **Climate Change** and **Diversity & Inclusion** indicators.

The Plan will be submitted to the **approval** of shareholders at the **AGM** to be held in October 2023.

The desire to invest in people and engage them directly in achieving the 2023-26 Plan objectives will result in the **launch of the first Employee Share Ownership and Co-investment Scheme** for staff over the Plan time horizon. The purpose of this scheme is to foster engagement and ownership among Group employees who play an active role in the creation of sustainable value.

The Plan objectives will be pursued by offering **solutions, products and advisory services** to **support clients in the transition towards a sustainable economy**, helped by **training** programmes and **awareness-raising campaigns** to promote increased **sensitivity to ESG topics** both within and outside the Group.

- **Broad ESG product offering differentiated by business lines:**
  - ✓ **WM**: more than 50% ESG products (SFDR Articles 8 and 9 funds) in client portfolios, and 50% increase in ESG funds manufactured by the Group asset managers; green mortgages to account for some 20% of new production by the end of the Plan.
  - ✓ **CF:** ESG loans CAGR +15%.
  - ✓ **CIB:** establishment of an experienced dedicated Energy Transition advisory team; 50% of bonds originated and 40% of new corporate loans with ESG or ESG-linked features.
  - ✓ **Group:** at least two sustainability bonds issues.
- **Embedding an ESG culture**
  - ✓ ESG training for all staff and FAs, and EFPA certification for WM advisors.
  - ✓ More than 35 million emails containing tips on green and financial education to be sent to clients by Compass.
  - ✓ Engagement with corporate clients and support for them in the climate transition.

SHAREHOLDER REMUNERATION
UP TO €3.7BN TO BE DISTRIBUTED IN 3Y, AN INCREASE OF 70%

The Group will significantly increase the remuneration to its shareholders over the time horizon covered by the Plan, for a total of up to €3.7bn to be distributed in 3Y (FY 2024, 2025, 2026), about 70% higher than the distributions made in the previous 4Y (FY 2020, 2021, 2022, 2023).

The increased distribution derives from the Group's enhanced earnings generation capacity and the implementation of an asset growth policy focused on capital-light segments.

This new distribution policy will enable a CET1 FL of above ~14.5% to be maintained over the Plan horizon, which is sufficient to:

- Maintain one of the best ratings in the domestic market and consolidate Mediobanca as one of the best capitalized European banks, a differentiating factor in WM and CIB business;

- Maintain a buffer of approx. 100 bps for possible M&A opportunities to support the Group's business development, calculated based on a minimum CET1 FL of 13.5%.

Over the three years, the Group will maintain a cash dividend payout ratio of 70% of earnings, and will introduce payment of an interim dividend starting from May 2024. These distributions will be complemented by share buyback and cancellation schemes involving a total of €1bn in 3Y, with the quantity to be decided annually. More specifically, subject to annual authorization by the ECB[12] and approval by shareholders gathered in Annual General Meeting, and conditional upon CRR III Article 471 being approved definitively (under which application of the "Danish Compromise" will become permanent):

- Cash dividends worth a total of €2.7bn will be paid in 3Y, in application of a cash payout ratio of 70%; with the introduction of the interim dividend, part of the payment will be brought forward to May of each year (equal to 70% of the profits generated in the July-December period) with the balance to be paid in November (equal to 70% of the profits generated in the January-June period); overall, the dividends distributed in the FY 2024-26 three-year period will total €2.7bn, 40% higher than the €1.9bn distributed in the previous four-year period (FY 2020-23);

- A new share buyback and cancellation scheme will be implemented for a total amount of €1bn over the Plan time horizon, starting from October 2023, with the amount to be determined annually based on organic growth; while the share cancellation will involve approx. 80% of the acquired shares.

This distribution policy, subject to ECB monitoring and/or authorization, will be revised if the CET1 FL falls below 13.5%.

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Investor Relations
Tel. no.: (0039) 02-8829.860

Media Relations
Tel. no.: (0039) 02-8829.319

[12] Pursuant to Articles 77 and 78 of CRR II.

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