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MEDIOBANCA GROUP

PUBLIC FORWARD-LOOKING COMMENTS (as of 10 October 2024)

NOTABLE DATES – PAST

1 Aug. 2024	Mediobanca BoD Financial statements for 12M to June 24 approved CEO Confcall
28 Aug. 2024	€750m covered bond issuance
18 Sept. 2024	Polus – SWF ADIA agreement on special situation fund
7 Oct. 2024	ECB authorization for €385m SBB

NOTABLE DATES - FUTURE

10 Oct. 2024	Publication of "Public forward-looking comments" on website
14-24 Oct. 2024	Collection of public estimates
25 Oct. 2024	Publication of consensus on website
25 Oct. 2024	Blackout period starts
28 Oct. 2024	Mediobanca AGM
12 Nov. 2024	1Q FY25 results publication Press release and presentation – 7 am CEST
12 Nov. 2024	CEO Confcall – 10am CEST
18/20 Nov. 2024	Ex-rights/Payment date of final dividend (€0.56 ps)

FORWARD-LOOKING COMMENTS since 12M/4Q FY24 results at beginning August 2024

GUIDANCE ON 1Q FY 2024/25

1Q25: *"The next coming Q will be basically similar to this one [ref 4Q24] net of one-offs..."*

Nil: *has a trajectory that will increase progressively, because we need to generate new loan business. CIB more in the second half of the year than in the first half. While for Compass, we will continue to see growth in each quarter"... "Starting from the fourth quarter, and even in this quarter, we have put more emphasis on campaign for deposits. We prefer to invest more, to have more net new money, more opportunities for conversion, which requires some higher cost of deposits".*

Fees: *"it will be a good quarter without the extra concentration of fees... 4Q24 was particularly good because of the concentration, not one big landmark transaction, but several [deals] in CIB". In Wealth Management, there is more a quarter-by-quarter increase, rather than a big leap in 1Q...normally you have December and June where you have some banking fees, while in September and in March you don't... We are happy if we have a quarter with between €230m and €240m, €250m max. [ref Group fees in 1Q25].*

INS: *"we had some supporting factors [in 4Q24] from non-operative items by Generali, so of course, we need to strip this out".*

Approx. €100m equity-accounted income in 1Q25: Ass. Generali published its 2Q FY 2024 results on 9 August, reporting a Group net profit of €797m; MB's pro rata income is around €100m, to be consolidated in 1Q FY 2024-25.



GUIDANCE ON FY 2024/25: from 12M results press release (1 August) - "Outlook" section:

- ◆ *"The ongoing strengthening in distribution and the healthy commercial activity in Wealth Management will drive growth in TFAs, with **NNM expected to reach €9-10bn for the year**, while the selective asset growth and optimization activity will enable **RWAs to remain stable**, even with the introduction of the Basel IV system of regulations;*
- ◆ ***Revenues are expected to increase, on strong, low double-digit growth in fee income** driven by WM and the capital-light services offered by CIB, boosted further by the declining interest rates; while **net interest income will maintain an upward trajectory but with low single-digit growth**, helped by CF which is more resilient in a declining interest rate scenario;*
- ◆ ***The cost/income ratio should stand at 44%**, even with ambitious plans to invest in digital and in distribution (in WM in particular);*
- ◆ ***The cost of risk is expected to be ~55 bps**, leveraging on the substantial overlays set aside;*
- ◆ ***Earnings per share (EPS) is expected to grow by 6-8%;¹***
- ◆ ***With reference to shareholder remuneration, DPS is expected to grow**, with the cash **payout confirmed at 70%** (interim dividend to be paid in May 2025 and the balance in November 2025), **plus a new share buyback scheme to be implemented (€385m).²**"*

ADDITIONAL INFORMATION

- ◆ **NET INTEREST INCOME:** NII low single-digit growth in 12M FY 2024-25³
FY 2024-25: low single-digit growth, driven by CF volumes and margins
 - NII sensitivity to interest rates: +/-€20m NII every +/- 50bps in interest rates
 - SRT transaction closed in June 2024: €5m costs in FY25
 - Volume recovery more geared towards the second half of the year
 - Higher cost of deposits due to promotion to incentives on deposits / TFA growth
 - Euribor: 2.3% at June 25 in NII guidance

Alberto Nagel's comment in 1 August post-results call:

"We have forecast an increase of €3bn in loans... There would be some more acquisition finance in the second half of the year, coupled with lower interest rates and more demand for mortgages. Compass will continue to grow as we have been seeing so far"

"Starting from the fourth quarter, and even in this quarter, we have put more emphasis on campaign for deposits. We prefer to invest more, to have more net new money, more opportunities for conversion, which requires some higher cost of deposits".

¹ Including the cancellation of approx. 80% of the treasury shares to be acquired through the €385m share buyback to be implemented during FY25.

² The second share buyback scheme envisaged in the 2023-26 Strategic Plan will be implemented in FY25, but it has been already deducted from CET1 as at June 24. It is subject to authorization by the ECB and by shareholders in Annual General Meeting.

³ 12M FY 2024-25 vs 12M FY 2023-24



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Hedging

Mediobanca has always managed interest rate (IR) risk on the banking book with extreme prudence and flexibility, minimizing the volatility deriving from movements in interest rates through active and dynamic portfolio management. Its balance-sheet structure allows to act in a timely manner, using mainly derivative instruments, to align the Bank's interest rate risk with market expectations, in order to minimize risks at all times.

To achieve this, we have a number of instruments available. For example, we can reduce or increase hedging positions through receivables or payable instruments in line with the interest rate risk management policy also exploiting natural hedging.

NII sensitivity (30 June 2024): approx. +/-€20m every +/-50bps. Sensitivity has been reduced (from approx. +/- €35m every +/-50bps 1Y ago) consistently with BP23-26 guidance.

As of 30 June 2024:

- ~40% of deposits hedged
- ~80% of bonds fixed rate, ow ~65% hedged
- ~80% of banking book fixed rate, ow ~20% hedged
- ~55% Group loans fixed rate, ow ~70% hedged
- average duration of loans after hedging: 0.3 years
- average duration of banking book after hedging: 1.5 years
- average duration of bond funding after hedging: 0.8 years

Marginality

COF (12M average at June24, excl. hedging):

- Total funding cost: 2.41%
- Deposit costs: 1.66%
- Spread of MB bond stock vs Eur3M: 129bps

Assets yield (12M average at June24, excl. hedging):

- Loans: 5.88%
- Banking book: ~3.0%

◆ **FEE INCOME:** low double-digit growth in 12M FY 2024-25

Alberto Nagel's comment:

CIB outlook: we think that the corporate finance M&A mood will continue to be positive unless some big geopolitical issue arises. Interest rate reduction and availability of funding are the key elements to push investment banking activity, in particular, M&A, but also DCM will continue to be good and acquisition finance will be better; the IPO market is still a bit subdued.

I think we can achieve another very good year in CIB because of Arma Partners being consolidated for the full year, the new initiatives kicking in (mid-corporate, BTP specialist up and running), and the overall positive market.

WM: FY 2024-25: €9-10bn NNM, ROA overall stable with slightly improving management fee margin

Alberto Nagel's comment: "NNM split between €4 billion in Private, €4 billion in Premier, and €2 billion in factories... we see clients more and more keen also to take on managed assets.

...



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management fees will be stronger this year and ROA management will be slightly up on the back of our effort".

Marginality (12M average at June24, from FY24 results presentation)

- management fees /avg. AUM: 0.84%
- gross fees excl. performance fees / avg. AUM/AUA: 0.83%

◆ **INSURANCE: approx. €100m equity-accounted income in 1Q25**

- Ass. Generali published its 2Q FY 2024 results on 9 August, reporting a Group net profit of €797m.
- MB's pro rata income is around €100m, to be consolidated in 1Q FY 2024-25

◆ **GROUP COR: 55bps in FY 2024-25 including the use of overlays**

Alberto Nagel's comment on Consumer Finance COR: "we always said that a sort of pre-COVID level makes sense. The pre-COVID level of industrial COR was in the region of 220bps... Now with the new mix, which is more geared towards personal loans, I think 215-220bps is a target we have in mind.

In terms of overlays, as expected, we plan to use in the region of €90 million this year.

◆ **CAPITAL**

FY2024-25 distribution

- 70% cash payout
- €385m SBB (cash view), subject to authorizations, with 80% share cancellation

Alberto Nagel's comment: "In terms of capital, yes, we are producing more capital. We think that there will be flattish RWA environment this year [ref FY2024-25]. We are going to create capital above the plan average of 220bps and a bit less than the 290bps reported in FY 2023-24. We will be in between these two numbers.

CET1 including the share buyback will be in the region of 14.5% – above 14.5%.

The payout (including SBB) should be in the region of 100%. This is a limit all banks have, and we have too. But still we have some flexibility in terms of distribution because in June 2026, we'll see where we are in terms of numbers, in terms of capital, in terms of also supervisory expectations, and then we'll take a decision".

Other information:

- Basel IV: LGD benefit of approx. €1.5bn from Jan. 2025 onwards, impact of others broadly neutral (positive and negatives to balance each other out)
- CET1 sensitivity to +/-100bps spread BPT-Bund: less than +/-10bps

◆ **ONE-OFFS: systemic funds contribution ended at June 24**



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CONTACT DETAILS

Website www.mediobanca.com
Investor Relations investor.relations@mediobanca.com
Tel. no.: Jessica Spina (0039) 02-8829.860
Luisa Demaria (0039) 02-8829.647

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